Long Term Plan 2018-2028
Volume Rua

DRAFT FOR CONSULTATION – February 2018

BAY OF PLENTY REGIONAL COUNCIL
TOI MOANA

Financial Strategy

Executive Summary

The purpose of the financial strategy is to facilitate prudent financial management and provide a guide for considering proposals for funding and spending against.

Our draft financial strategy has been designed to deliver on our Strategic Framework, Financial Principles, work plans, and external financial context. The starting premise is that our financial strategy enables our work, rather than constrains our work. The main drivers for our proposed financial strategy are:

- Our work plans are based on what we need to deliver for our community and to meet legislative requirements. Our expenditure is defined by our work plans.
- We have made sure the right people are paying for our work. We have carefully analysed who benefits from, or causes, our work so that the mix of user pays and ratepayer funding is affordable, fair and equitable.
- We hold a 100% shareholding in Quayside Holdings Limited (Quayside), which in turn holds a majority shareholding in the Port of Tauranga Limited (POTL). This investment is managed by Quayside. Retaining a majority shareholding in the POTL continues to be strategically important for the Bay of Plenty.
- Quayside continues to manage commercial investments to optimise growth and returns in the long run for the good of the Bay of Plenty. Quayside budgets to return 80% of its cash profit to Council to reduce the rates requirement
- Using borrowing to pay for assets allows Council to spread the cost out over time so that future generations will pay for the benefit they will receive, as well as freeing up money to be invested for future benefits.
- We use the most cost and administratively efficient form of funding. This is currently through external borrowing. We also use borrowing where the cost is less than the additional return generated by investing our cash in a higher yield.
- Our integrated approach to treasury management ensures we optimise financial returns in the long run and appropriately manage risk through our investments and borrowing.
- We hold appropriate insurance policies and, where appropriate, financial derivatives to manage our financial risk.

Background

Council's vision is "Thriving Together – mō te taiaō, mo ngā tāngata. Council has focused its Community Outcomes with an emphasis on a healthy environment and freshwater for life; safe and resilient communities, and a vibrant region.

The financial strategy helps Council to build a sustainable budget and levels of service. The financial strategy outlines the key financial parameters and limits that Council will operate within. It explains how the Council's financial wellbeing will be sustained over the next 10 years. This Long Term Plan 2018-2028 (LTP 2018-2028) has been developed to meet these financial strategy goals.

In planning for the next 10 years, Council has reviewed what it does and is confident that it has budgeted for the right mix of services to deliver on its Community Outcomes. This includes appropriately providing for growth and repairing the extensive flood damages from April 2017 to our flood protection and control schemes. The result is that Council is proposing a general rates increase of 12% (an average $32 per household) in 2018/19. Council also has a number of targeted rates and we are proposing some changes to the levels of those rates and changes in service levels. The average increase to targeted rates, which affects the total rates you pay, depends on the area in which you live and the services you receive. As all capital expenditure will be funded by borrowing, forecast total overall debt will peak at about $207 million in year 10 of the LTP 2018-2028, while keeping debt limits to below 250% of total revenue. Further information on the significant financial factors is provided below.

It is Council's view that the implementation of this financial strategy in the LTP 2018-2028 is prudent and sustainable. It will ensure a balance between providing the community with what they want and need, with keeping its core services and functions affordable.

The following sections outline the individual core components of the financial strategy.

Financial Principles

Council has determined the following financial principles to guide its financial decisions and actions through the LTP 2018-2028:

Principle 1: Council balances operating expenditure and revenue except where an alternative approach is more financially prudent.

Principle 2: Council achieves the right mix to fund its activities, and keep rates, and fees and charges, affordable, fair and equitable.

Principle 3: Council promotes effective and efficient use of resources to achieve better value for money.

Principle 4: Council creates resilience through robust and agile management practices which minimise or mitigate risk to achieving its financial objectives.

Principle 5: Council supports investment in solutions that are the most appropriate in the long term.

Applying these principles consistently can be challenging. Council must apply judgment in assessing many options to determine appropriateness in its development and implementation of the financial strategy.

Significant Financial Factors

Over the next 10 years, we still intend to deliver many existing services at the same levels of service in most cases – and with increases in some areas. This requires a change in how we manage our finances to ensure our budget and levels of service are sustainable.

The main financial factors that will affect the Council over the next 10 years are outlined in this section.

The main activities that we are proposing to spend more money on include:

- Increasing the extent and frequency of bus services across the region in response to population growth. Including through the implementation of the Western Bay of Plenty Public Transport Blueprint as a result of consultation in Tauranga and the Western Bay;
- Increased resourcing in data services and sciences associated with national monitoring standards and fresh water monitoring requirements;
- Increased resources in emergency management and biosecurity to deliver more comprehensive programmes.

We are also committed to the necessary, but expensive repairs of our flood protection and control schemes following the April 2017 flood events in the Eastern Bay as well as maintaining our existing infrastructure. We are also committed to our accommodation upgrade project in year one of the LTP 2018-2028.

We have reviewed our services and functions to ensure we are efficient and effective. We are planning to reduce our contracting costs by approximately $1.5 million per year compared to what we included in the Annual Plan 2017/18 (excluding inflation and capital spend). We also propose to reprioritise our planning programme for National Policy Statement on Freshwater Management and to maintain our current overall levels of resourcing in Corporate Services. While we are improving our efficiency in these areas, we will still provide the same levels of service to the community.

We have reviewed how Council uses the funds available to provide the best value to the community and carried out a detailed review of the funding mix focused on affordability, fairness and equity. This has led to us putting a stronger focus on the money we collect from fees and charges and from targeted rates, where it is easy to identify who is benefiting from the services we provide. This also makes it clearer to everyone where their money is being spent.

A new targeted rate combined with reduced general funding is proposed for Emergency Management to promote greater transparency and accountability. New and increased targeted rates are proposed for Passenger Transport combined with reduced general funding to ensure that the cost is targeted on the areas that benefit. Fees and charges have been increased to recover an appropriate amount of the cost of services provided. New fees and charges are proposed for Data Services which is also a change from general funding. Council will continue to look to optimise new income through grants, sponsorship, and partnership wherever possible. Further information is contained in the Draft Revenue and Financing Policy and its supporting document; Draft Funding Needs Analysis.

In the past three years, Council has used reserves (savings) and our Investment Fund to help pay for the work we do, as well as the work of others. We have spent or committed all of our Investment Fund, as we had planned to in previous Long Term Plans. Heading into the next 10 years, we will use the most cost and administratively efficient form of funding.

We propose to use $157 million of borrowing to fund our capital work programme. Using borrowing to pay for assets allows Council to spread the cost out over time so that future generations will pay for the benefit they will receive, as well as freeing up money to be invested for future benefits. We propose to borrow where the cost is less than the additional return generated by investing our cash in a higher yield. We also propose to use up to $50 million of borrowing capacity to help optimse the interest costs incurred by Quayside as part of our group approach to financial management.

In the past three years, Council has also used reserves to reduce the amount of general rate funds we needed to collect and we are proposing a change to this. From year one, we are planning to use $45 million of reserves from the Regional Fund reserve to establish a new investment reserve, the Toi Moana Fund, to optimise returns to Council over the long run. We are forecasting to receive an average return of 5% per annum on our reserve funds as well as our cash investments. We will continue to use our investment returns to help reduce our general rates requirement.

We hold a 100% shareholding in Quayside which in turn holds a majority shareholding in POTL. As well as managing POTL, Quayside also manages other commercial investments to optimise growth and returns in the long run for the good of the Bay of Plenty. Quayside has forecast a higher dividend for each of the next 10 years which will make up just over 20% of our forecasted operating revenue and helps to reduce our general rate funding requirement.

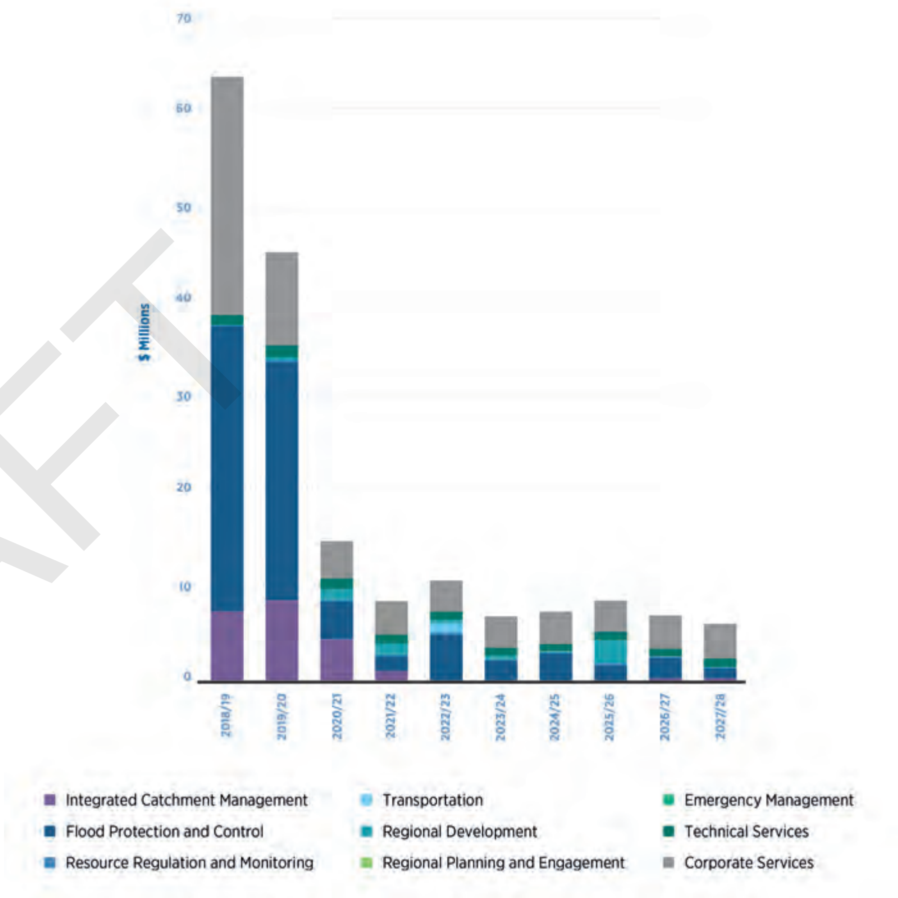
Growth continues to be different across the region. Funding the requirements for strong urban growth and affordability for areas of low growth is an ongoing consideration. Growth projections are stated in our significant forecasting assumptions.

Assets

Council has prepared an Draft Infrastructure Strategy and several Draft Asset Management Plans to ensure that it has provided for maintaining the right levels of service and to ensure that it invests in new assets at the right time to cater for change.

Council is forecasting to spend $178 million on assets over the next 10 years. As noted in the above sections, high forecasted capital expenditure in the first years is due to several major projects occurring at the same time including repairing the extensive flood damages from April 2017; upgrading our buildings; and new/replacement infrastructure for our rivers and drainage schemes. This is shown in the following graph.

Forecast Capital Expenditure



Council is required to show the capital expenditure on flood protection and control works to maintain existing levels of service. This is shown in the table below.

Forecast Total Flood Protection Expenditure $000

2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
27,055	25,070	3,782	1,342	4,556	1,863	2,614	1,332	1,944	780

Council fully funds depreciation on all assets that are intended to be replaced to ensure financial sustainability and intergenerational equity.

Asset Sales

Council seeks to optimise the sale price of any assets that are no longer required. Council is not intending to sell any significant assets as measured by the Significance and Engagement Policy.

Borrowing

Council is forecasting to borrow $157 million over the next 10 years to fund capital expenditure. The table below shows a significant increase in borrowing over years one and two due to several major projects occurring at the same time including repairing damage to our flood protection and control schemes following the April 2017 flood events.

In addition Council is forecasting to use up to $50 million of borrowing to help optimise the interest costs incurred by Quayside.

Council has set prudent financial limits on the amount of debt, and is projected to remain well within these limits. The limits within which debt will be managed are shown in the table below. The debt to revenue ratio will remain below 250% which is referred to in the following graph.

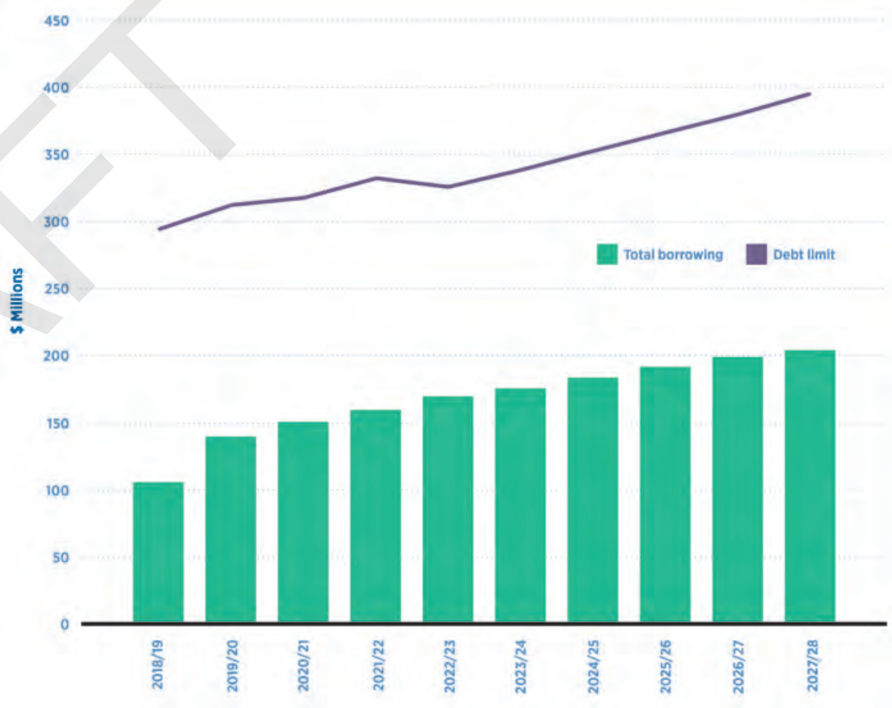
Debt Limits

Ratio	Policy Limit
Net interest expense as a percentage of total revenue	< 20%
Net external debt as a percentage of total revenue	< 250%
Net interest as a percentage of rates and levies (debt secured under debenture)	< 30%

Ratio	Policy Limit
Available financial accommodation as a percentage of external debt (liquidity)	> 110%

Council's extra borrowing capacity that is not used provides flexibility to respond to unforeseen circumstances including disasters and emergencies. Our debt headroom is shown in the following table.

Forecast Borrowing and Debt Limit



Council's policy on the giving of securities for its borrowing is stated in the Draft Treasury (Draft Liability Management) Policy.

Reserves

Council has two main reserves. These are the Investment Fund which is fully allocated to fund infrastructure projects and the Regional Fund which is available as an alternative funding source.

Council is proposing to use $45 million of reserves from the Regional Fund to establish a new investment reserve, the Toi Moana Fund, to optimise returns to Council over the long run.

We are forecasting to receive an average return of 5% per annum on our reserve funds as well as our cash investments. We will continue to use investment returns to reduce our general rates requirement.

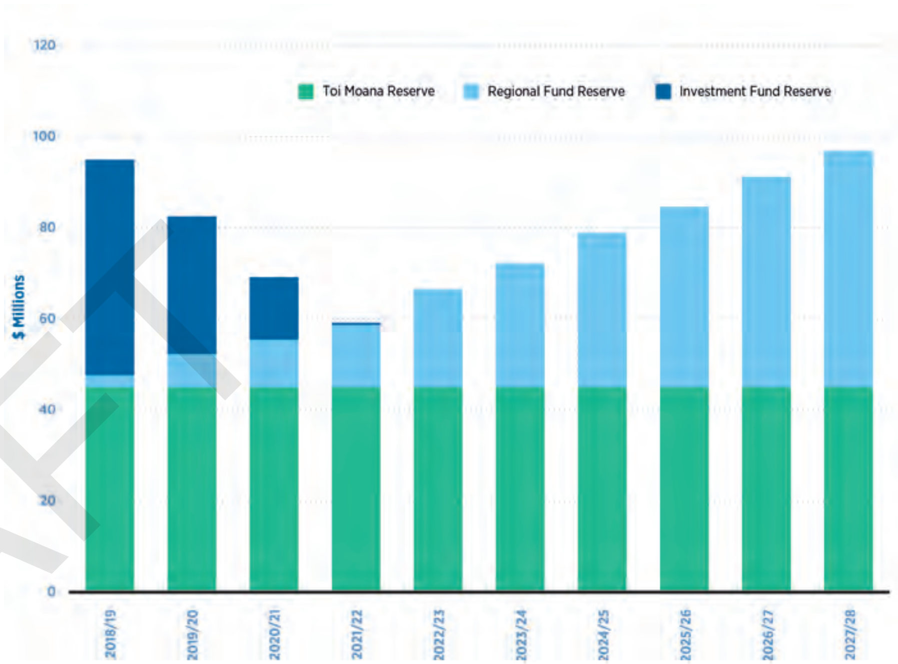
Council has targeted rate reserves to ensure that targeted rates are retained for the purpose for which they were collected.

A similar equalisation reserve, comprising of operating surpluses, is available for smoothing general rate increases.

In addition, Council has an asset replacement reserve to ensure that funds are available to maintain and replace existing assets and/or repay borrowings.

The forecast balances of the Investment Fund, Regional Fund and Toi Moana Fund is show in the following graph.

Forecast Investment Fund, Regional Fund and Toi Moana Fund Balances at 30 June



Rates

General rates are used to fund work that benefits the whole region with investment income and dividends used to reduce the overall amount of general rates we need to collect. This means that relatively small increases in general rates can lead to high percentage changes.

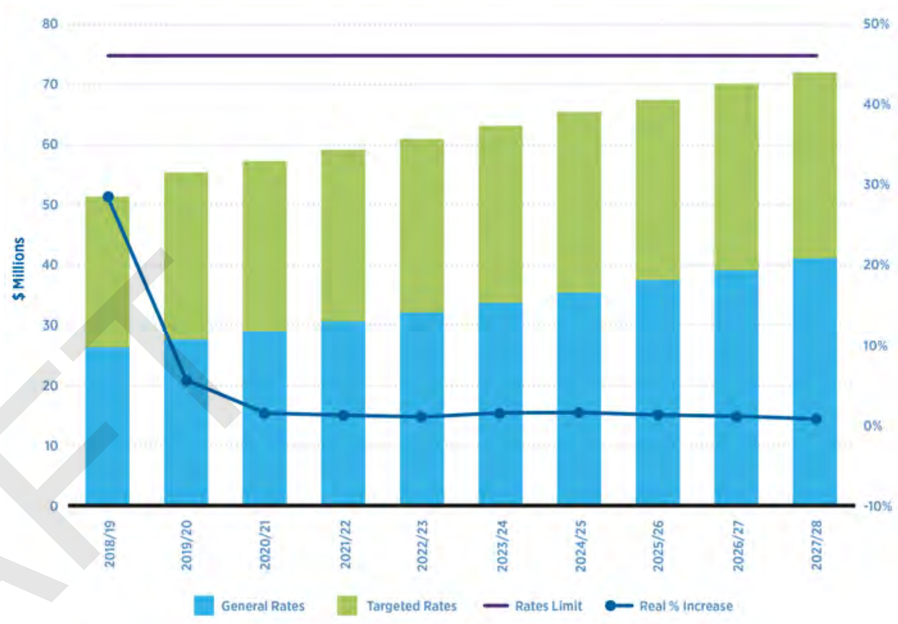
To deliver the services required, Council is proposing a general rate increase of 12% (an average $32 per household) in 2018/19.

Council also has a number of targeted rates and we are proposing some changes to the levels of those rates and changes in service levels as described in the section above. Targeted rates are used to fund work that has a local benefit and ensures that the people who benefit pay for that service. The average increase to targeted rates, which affects the total rates you pay, depends on the area in which you live and the services you receive.

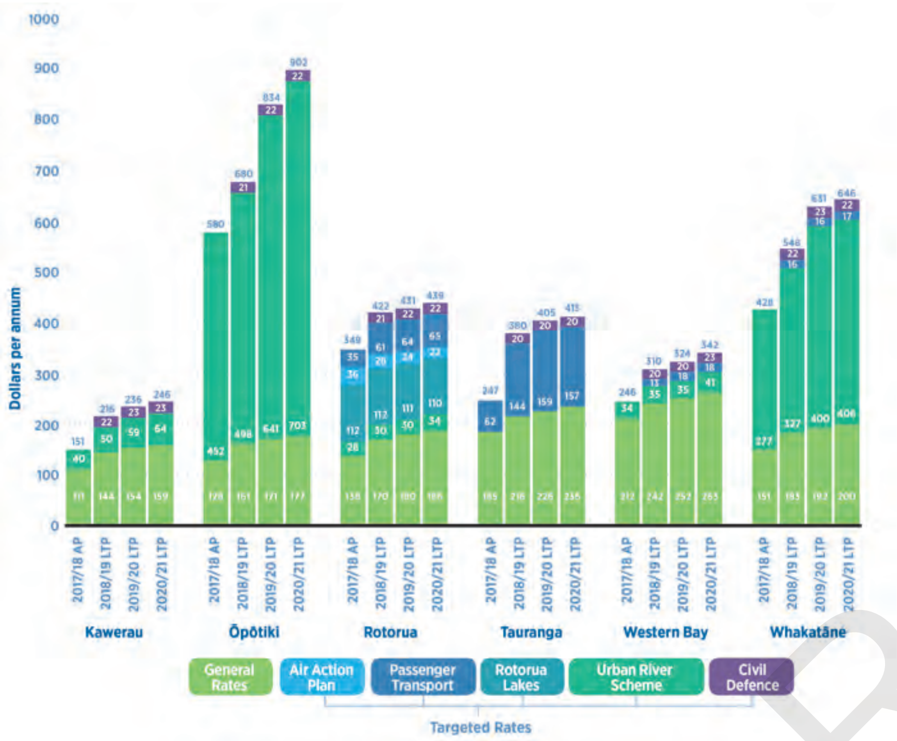
The combined average effect of these increases is shown below. The actual increase for any property depends strongly on its location to determine which targeted rates are payable.

The graph to the right shows forecast total rates, total real rates increases and the quantified limit on rates. The estimates of average rate increases for each district are shown in the graph on the next page.

Forecast Rates and Rates Increases



Forecast Total Rates by Territorial Authority - Annual Average Median Properties 1000m²

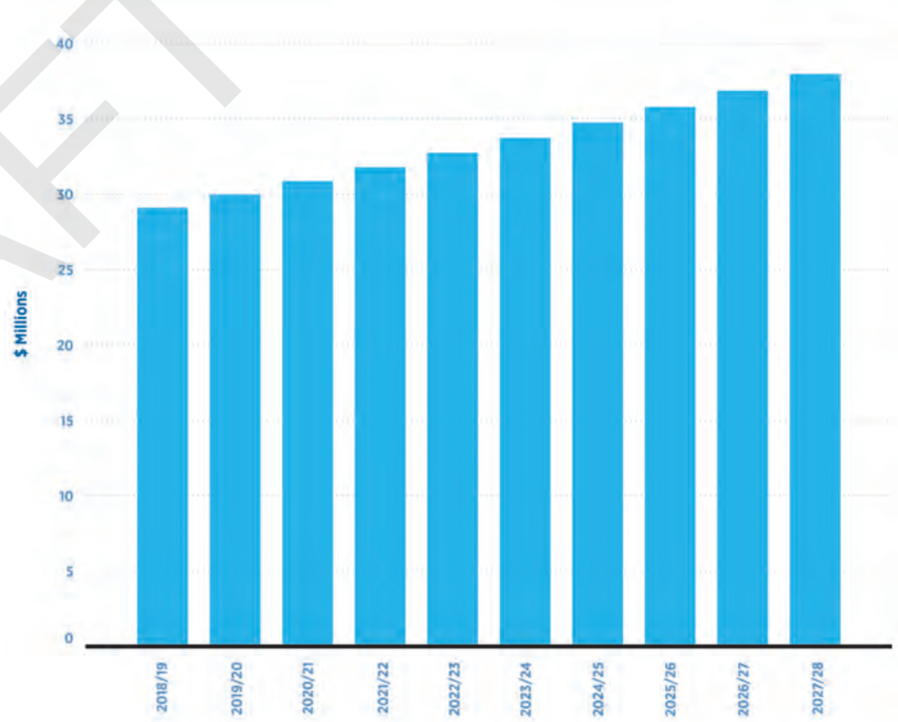


Dividends

Quayside budgets to return 80% of its cash profit to Council to reduce the rates requirement. Quayside has forecast a higher dividend for each year for the next 10 years which will make up just over 20% of our forecasted operating revenue and helps to reduce our rates.

This dividend assumption is reliant on the performance of POTL and the subsequent dividend received.

Forecast Dividends



Balanced Budget

Under section 100 of the Local Government Act 2002, the balanced budget requirement is whether operating revenues are set at a level sufficient to meet that year's operating expenditures.

Council is proposing an unbalanced budget (forecast operating deficit) for the first four years of the LTP 2018-2028. The primary reasons for the unbalanced budget are due to Council contributing funding to third party infrastructure projects (operating expenditure) through the Regional and Investment Fund, the Rotorua Lakes Protection and Restoration Action Programme reserves and the Environmental Enhancement Fund reserves.

Aside from third party infrastructure, land use change grants, and use of targeted rates reserves, Council is proposing to deliver a balanced budget from year five of the LTP 2018-2028. Effective treasury management over the 10 years will help to ensure Council optimises the money it has available in the most efficient way possible.

Investment in Companies

Council holds a 100% shareholding in Quayside which in turn holds a majority shareholding in POTL. As well as managing POTL, Quayside also manages other commercial investments to optimise growth and returns over the long run for the good of the Bay of Plenty.

Council holds a 11.1% shareholding in BOPLASS Limited, along with the eight other councils in the Bay of Plenty and Gisborne.

Council holds an 8.3% shareholding in the Local Government Funding Agency along with Central Government and other local authorities.

Council will generally not invest directly in other companies for financial return, but may provide equity funding for strategic advantage through the Third Party Infrastructure Funding Policy.

Property Investments

Council does not generally invest in property for financial return. Property for service delivery is owned by Council where it is cost efficient or has strategic advantage.

Subsidiary investments may include property as part of financial diversification.

Cash Investments

Council's cash investments are generally used for cash flow management and to meet its expenditure requirements. Where it is financially efficient, Council may use short term borrowing to provide working capital and allow cash investments to mature.

Other Investments

Financial derivatives may be used to hedge major cost risks, such as foreign exchange risk for a specific project, but will not be used by Council for financial return. Subsidiary investments may include financial derivatives as part of financial diversification.

Other investments may be considered on a case by case basis.

Insurance

Council holds comprehensive insurance through a range of policies. These policies have been procured through BOPLASS Limited to spread risk and achieve reduced premiums. Infrastructure assets are 60% underwritten by Government with Council holding insurance on the remaining 40%.

Infrastructure Strategy

Purpose

The purpose of the Infrastructure Strategy document is to highlight to Council the issues and implications that Council faces over the next 30 years with regard to flood protection and control works, as required by the Local Government Act (2002). The Infrastructure Strategy for the Bay of Plenty Regional Council (BOPRC) must include assets for flood protection and control works, and Council may at its discretion include other assets.

Capital and operating spend to meet the levels of service, as agreed with the community, for flood risk management is also included. It is based on the likely scenario of maintaining current flood flow protection as described in the Rivers and Drainage Asset Management Plan. This approach uses hard engineering such as stop banks as the primary means of flood mitigation and is informed by rolling 10-15 year capacity reviews that incorporate climate forecasts. In the short term, repairing the damage from the April 2017 flood event is the priority.

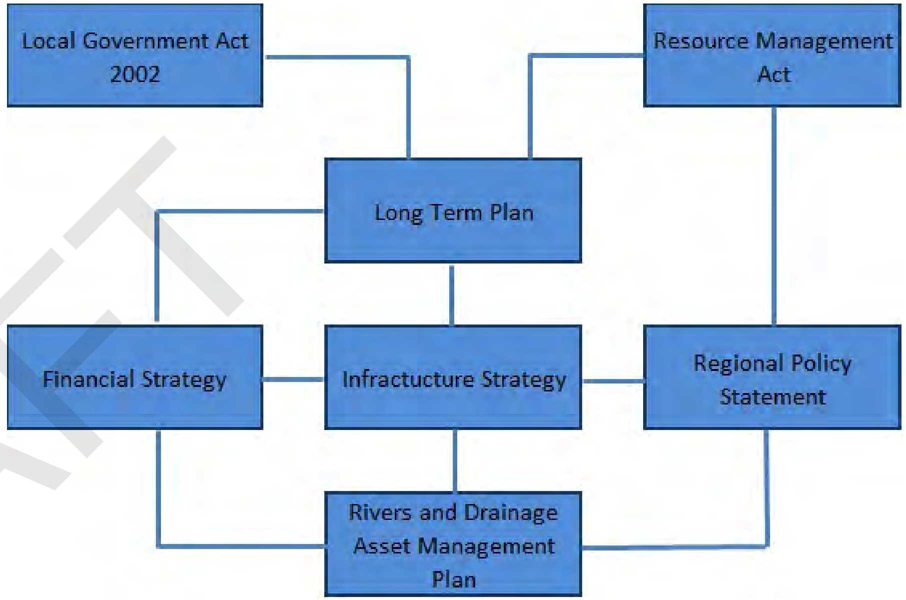
Flood Risk Management faces significant issues over the next 30 years; including sea level rise, more intense and more frequent storms, subsiding ground levels, declining population in the east (where our schemes are based) and stop banks that are geotechnically unstable during high and prolonged river flows.

In addition to the 10-15 year rolling capacity reviews, the River Scheme Sustainability Project looks at flood mitigation using an integrated catchment wide approach that incorporates ecosystem and optioneering to create 100-year frameworks for each catchment. Planning, community engagement and delivery intends to transition towards this longer-term framework as appropriate.

The Infrastructure Strategy is aligned and linked to other key Council documents and strategies including the Financial Strategy, Regional Policy Statement and Rivers and Drainage Asset Management Plan (AMP). The Infrastructure Strategy is adopted as part of the Long Term Plan process.

Linkages to other Council documents

The Infrastructure Strategy has linkages to other key Council documents. A number of examples are discussed below.



Regional Policy Statement

The Bay of Plenty Regional Policy Statement (RPS) highlights a number of significant resource management issues broadly classified as follows:

- Air quality
- Coastal environment
- Energy and infrastructure
- Geothermal resources
- Integrated resource management
- Iwi resource management
- Matters of national importance
- Urban and rural growth management
- Water quality and land use
- Water quality

A number of these issues are directly related to the Infrastructure Strategy and are discussed in this document. One example is the impact of climate change on infrastructure.

The RPS requires the effects of climate change to be taken account in natural hazard risk assessment and provides minimum sea-level rise projections of:

- 0.6m for relocatable activities/development;
- 0.9m where future adaptation options are limited; and
- an additional sea-level rise of 10mm per annum for activities with life spans beyond 2112.

Financial Strategy

The Infrastructure Strategy and Financial Strategy are inter-related. The benefit of services, affordability and equity of rates are critical for the long term wellbeing of the community.

The 30 year financial projections of the Infrastructure Strategy have been integrated into financial models which in turn generate the reserve, borrowing and rating requirements.

The Revenue and Financing Policy - Funding Needs Analysis describes the funding sources for flood mitigation. The schemes are funded through a combination of targeted and general rates.

Rivers Scheme Sustainability

The high costs of repairing damage to the region's river schemes after the 2004, 2010, 2011 and 2017 floods has raised questions around whether the current levels of service, scheme management and growing scheme funding requirements are sustainable into the future.

The River Scheme Sustainability Project is considering the long term risks of the flooding hazard. The project work includes reviewing the current levels of flood protection provided by the schemes, determining the economic value added by the schemes, assessing the affordability of the schemes, assessing flood risk and the level of community acceptance to different levels of flood risk, as well as their willingness to pay for flood protection. The project will also consider the appropriate timing for any rating reviews that may be required.

Flood management options in the longer term may be different to the hard engineering capital intensive structural solutions that are currently the core components of the schemes. Structural, non-structural and other alternative solutions have been identified for some of the river schemes and are being evaluated to enable a truly sustainable.

A 100 year framework will be produced for each catchment. The remaining schemes will be assessed in the coming years.

The 100 year frameworks for each catchment will enable both the regional council and local councils with their stakeholders to move to a restorative position for each catchment which will most probably include a combination of hard and alternative flood mitigation solutions.

Once adopted they will become the new standard level of service for flood management across the region and incorporated into future infrastructure strategies and AMPs.

Rivers and Drainage Asset Management Plan

The Infrastructure Strategy has made use of the current Rivers and Drainage AMP to assist with forecasting future asset requirements and costs.

The current Rivers and Drainage AMP uses hard engineering solutions as the primary flood mitigation measure. Service levels in the AMP are in the form of %AEP. These are assessed using the 10-15 year rolling capacity reviews.

Context

Assets included in the Infrastructure Strategy

The Local Government Act (2002) requires that the Infrastructure Strategy for BOPRC must include assets for flood protection and control works and Council may at its discretion include other assets.

This strategy deals with assets only associated with flood protection and control works, as per our AMP. Assets providing flood protection have a value of $246 million, comprising the bulk of BOPRC's $351 million assets.

There are 23 asset types associated with flood protection and drainage.

Key asset information of the high-value assets is shown below.

Asset	Value (ODRC)	Quantity	Average condition
Stop banks	$164 million	352 km	Surface – very good Sub-surface – TBC
Erosion Protection	$47 million	442 km	Good
Waterways	$16 million	491 km	TBC
Pump Stations	$8 million	12	Good

Asset	Value (ODRC)	Quantity	Average condition
Structures	$11 million	5,242	Very good TBC

There are no planned disposal of assets over the next 30 years.

The critical assets, as identified in the AMP, are the stop banks that protect the towns and industrial areas of Edgecumbe, Whakatāne, Ōpōtiki and Rotorua; as well as the control gates and stoplogs for controlling the water quality and flow out of the Rotorua and Rotoiti lakes.

The AMP has a 50 year timeframe and financial projection. This 30 year Infrastructure Strategy draws off this knowledge base as well as key projects such as the River Scheme Sustainability and Water Programme.

Geographic context

The Bay of Plenty is located on the east coast of the North Island of New Zealand. The region incorporates the full extent of the coastline from Cape Runaway in the east, to Waihī Beach in the west. It captures the coastal City of Tauranga, the township of Whakatāne and the inland city of Rotorua.

On the landward side, the region is mostly bounded by the watersheds of the catchments that flow into the Bay of Plenty; this includes the lakes in the Rotorua District.

The region includes 18 offshore islands including the volcanically active White Island, and the sea extending out to the 12 nautical mile boundary.

The area of the region is 21,740 square kilometres, comprising 12,231 square kilometres of land and 9,509 square kilometres of Coastal Marine Area.

Demographic context

The Bay of Plenty area consists of a number Territorial Local Authority (TLA) areas. The Strategy Group of Council has undertaken reviews of the future population growth of all TLAs in the Bay of Plenty Region. Projections to 2063 for each area are summarised below.

- Virtually all growth in the Bay of Plenty Region, across all household and family types is projected to occur in Tauranga City and the surrounding Western Bay of Plenty District. This is mostly due to very strong inwards migration to the western sub-region.

- There is a projected increase over the region of around 55,000 households (50%) with particularly strong growth in the number of single person households (as a result of population ageing) of around 28,000.
- This is made up of an estimated 10,700 additional households in the Western Bay District and 47,000 households in Tauranga City (a 100% increase).
- Rotorua sees a modest projected increase of 1-2% (350 households), Whakatāne District a decline of 1,900 households (15%). Kawerau shows the largest percentage decline (31% or 790 households).
- Prior to around 2030, outward migration is a key determinant of growth accounting for net population decline after deaths are subtracted from births. Beyond this time natural fertility is unlikely to be sufficient to achieve natural population replacement.

The baseline trends suggest that if current migration patterns remain, Tauranga City will increase its share of the region's population from just below 42% in 2013 to almost 58% in 2063. In 2033 Tauranga City will account for almost half of the region's population.

The population trends are important for flood management because:

(a) The river schemes are in areas projected to be in population decline for much of the scheme life with asset maintenance occurring at a time the New Zealand Treasury warns of very tight fiscal conditions. Thus affordability will most likely become an issue in the future if cost repayments of infrastructure exceed the ability to pay.

(b) The risk profile for the region will change as population and investment focus shifts. Thus the need for particular levels of service in some areas may need to change to reflect their changing circumstances.

(c) The high growth areas in the west, that span multiple Council and stakeholder boundaries, require fit-for-purpose flood risk management policy and planning approaches. A number of these areas already suffer from multimillion dollar flood damage and high sediment run-off into Tauranga Harbour and it is imperative that Council collaborates with its partner stakeholders to ensure sustainable 100 year integrated catchment plans are in place. Council is currently leading the collaboration through the Regional Flood Risk Project in three pilot catchments that span multiple Councils and stakeholders. This work ensures we do not place expensive retrofit burdens on future generations.

Future projected demographic details per TLA are shown below.

Western Bay of Plenty

Assuming current trends continue, the population in the Western Bay of Plenty is projected to grow from 46,110 to around 57,546 in 2033 (+24.8%). These trends will see growth at 65+ years account for 85% of all growth in the Western Bay of Plenty 2013-2033.

Tauranga City

The population of Tauranga City is projected to grow from 117,280 in 2013 to around 161,646 in 2033 (+37.8%), and to 196,014 in 2063 (+67.1%). As was the case for the Western Bay of Plenty, the majority of the growth occurs prior to 2033 and in older age-groups.

Rotorua District

The population of Rotorua District is projected to grow very slightly from 68,590 in 2013 to 69,127 by 2033 (only a 0.8% increase from 2013), and then decline to around 52,702 in 2063 (-22.4%). It should be noted that Rotorua projections are particularly prone to migration assumptions.

Whakatāne District

The population of the Whakatāne District is projected to remain stable until around 2033, albeit experiencing both minor growth and decline until 2029 and numbering approximately 33,408 in 2033. The population is projected to then decline more rapidly to around 22,507 by 2063 (-30.1%) as the effects of an older population start to take hold.

Kawerau District

Projections for Kawerau District are extremely uncertain but based on a continuation of current trends show a steady decline, from a population of 6,710 in 2013 to 5,542 by 2033 (-17.4%) and then more rapidly to around 3,155 by 2033 (-40% from 2033).

Kawerau District Council does have initiatives to support forestry industry growth; however, these have not yet impacted on population statistics.

Ōpōtiki District

Similarly, the population of the Ōpōtiki District is projected to undergo steady decline, from 8,580 in 2013 to 7,395 by 2033 (-13.8%), largely as a result of outward migration and then decline more rapidly to around 4,897 by 2033 (-29.6% from 2033) as a result of ageing. However, it should be noted that economic initiatives like offshore mussel farming have the potential to change these assumptions if able to reverse migration loss.

Climate change context

The RPS recognises that provision needs to be made for the effects of climate change in natural hazard risk assessment. It promotes that authoritative up-to-date projections of changes in sea level, rainfall, temperature, and storm frequency and severity will be used as updated scientific data becomes available.

The RPS requires the effects of climate change to be taken account in natural hazard risk assessment and provides minimum sea-level rise projections of:

- 0.6m for relocatable activities/development
- 0.9m where future adaptation options are limited
- an additional sea-level rise of 10mm per annum for activities with life spans beyond 2112

The Ministry for the Environment estimates the following for the Bay of Plenty Region:

- Compared to 1995, temperatures are likely to be 0.7˚C to 1.1˚C warmer by 2040
- There is large natural variability in extreme rainfall frequency in the Bay of Plenty from year to year and decade to decade. According to the most recent projections, the Bay of Plenty is not expected to experience a significant change in the frequency of extreme rainy days as a result of climate change
- Future changes in the frequency of storms are likely to be small compared to natural inter-annual variability. Some increase in storm intensity, local wind extremes and thunderstorms is likely to occur
- The frequency of ex-tropical cyclones is projected to either decrease or remain unchanged over the 21st century; however the ex-tropical cyclones will likely be stronger and cause more damage as a result of heavy rain and strong winds

Changes to flood risk in individual catchments have a complex relationship with climate change and require hydrodynamic modelling as an increase in rainfall does not necessarily directly relate to the same percentage increase in peak flood flows.

Significant infrastructure issues

The following tables summarise the significant infrastructure issues facing the BOPRC, the proposed response to those issues and the implications of taking or not taking the action proposed by the response.

The risk management processes used by the BOPRC are consistent with Australian/New Zealand Standard AS/NZ 4360 which defines risk assessment and management.

Issues	Options	Implications
Climate change (through sea level rise and increased intensity and frequency of storm events).	•Incrementally increase the capacity of assets (by raising levels of stopbanks over time) to meet anticipated climate change predictions •Increase pumping capacity to maintain drainage level of service •Use River Scheme Sustainability Project outcomes to use alternative methods to obtain sustainable outcome •Whole of catchment planning using 100 year vision for catchment	•Significant cost when stopbanks have to be redesigned and constructed when geotechnical integrity is compromised due to greater hydrostatic loads •Increased mass of the raised stopbanks settle over time as are generally founded on compressible material •Land purchase or compensations required as more land is required for the infrastructure •A point is reached where it is no longer feasible to raise the stopbank levels. This could be for geotechnical or economic reasons •Significant cost when pump stations have to be upsized or constructed to pump higher volumes to higher heads •Increased pumping run times as sea level affects ground water levels in low lying coastal areas •Increased costs due to continual pumping •Solutions could include over 30 different structural and non-structural options, which could include the use of wetland or preferentially floodable areas (multiple use of assets). Change in thinking that may not meet with approval from landowners and decision makers •Large areas of farmland potentially converted to other uses •Some options will likely have a prolonged consenting process •The public works act may be needed to procure land •Generate 100 year vision catchment plans •Long term work programmes will be developed to ensure land purchases, or similar, are signalled well in advance
Residual risk Failure of flood protection systems may impact on communities	•Educate the public on residual risk and encourage resilience measures	•Increased costs to property owners in order to improve resilience: eg insurance, water proofing •Re-run models as updated information becomes available

Issues	Options	Implications
	•Update flood maps, including breach scenarios, and encourage TLAs to update District Plans and LIM reports	
Affordability The cost of maintaining the river schemes will be affected by climate change. This will mean increased pumping and construction costs	•Reduction in levels of service •Retreat •Use River Scheme Sustainability Project outcomes to use alternative methods to obtain sustainable outcome	•Insurance cost increases •Property valuations may be affected •Community may not accept reduction in levesl of service •Option may be incompatible with the RPR •Major decision to be made if retreat affects a large amount of properties •Complicated planning exercise •Implications as per climate change issues
Flood events greater than design (cause overtopping of stop banks and widespread inundation behind the stop banks)	•Use models to understand the level of destruction for over design events •Design for failure at predetermined locations to ensure best protection for community	•Flood damage will create a significant financial and indirect burden on the rate payer and central government •Flood Management and Emergency Management plans will become operative
Levels of Service	•Reduction in levels of service	•Refer affordability implications
Population Growth or Decline Likely decline of population/households within the scheme areas	•Review long-term affordability and ensure future spend creates an affordable net gain for the catchment/scheme/society	•Flood management in 100 years will be different from how it is undertaken today •Flexibility is required to implement a suite of options that together create an enhanced and affordable flood mitigation paradigm
Uncertainty of population change, settlement trends long-term	•Design for uncertainty with modular solutions of delayed investment •Develop agreed region wide settlement plans and drive growth to achieve these outcomes – removing some of the uncertainty	•Potential for costs to be greater if growth occurs when it was not expected •Community reluctance – perceived impact on land values
Growth in Tauranga may result in demand to build in flood prone areas	•Provide flood management and engineering advice to reduce flood risk •Develop 100 year catchment plans	•Ensure the Regional Flood Risk Project gains traction to ensure TLAs and BOPRC manage catchments in a holistic manner •Failure to understand whole of catchment solutions will result in an escalation of flood damage and possible loss of life, along with environmental degradation
Geotechnical issues Tectonic subsidence and ground shrinkage in floodplains. Ground levels are expected to	•Engineering options will review the best ways to manage the lower ground levels, higher pumping heads and greater hydrostatic loads on stopbanks •Levels of service review	•Structural solutions will be expensive •Trigger levels will be identified to determine when to migrate towards an alternative fit for purpose solution that may, for example, result in different land use practices

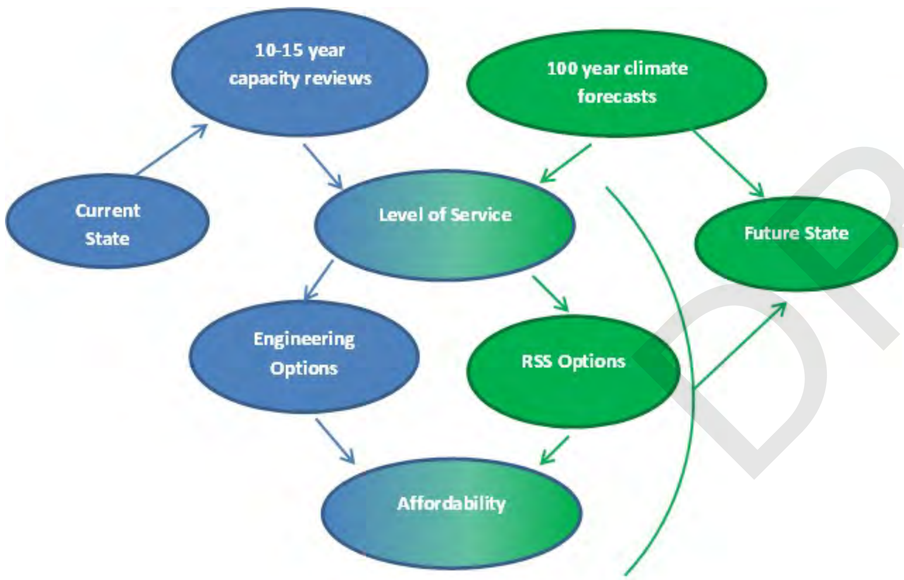
Issues	Options	Implications
drop by around 1 metre over the next 100 years in some floodplains		
Geotechnical condition of existing stop banks	•Engineering is currently establishing the extent of the geotechnical condition of all its stopbanks •Establish a response plan to manage the known conditions. This may include stopbank rebuilding or lowering the level of service	•Structural solutions will be expensive •Alternative solutions will be investigated
Earthquakes cause damage to flood protection	•Accept risk and repair if necessary •Upgrade earthquake protection on all assets	•Earthquake or other non-flood events may require capital repair programmes •Consider earthquake standards in new designs •Upgrading all assets is likely to be cost prohibitive
Land Use Change Increased urban development or converting bush/forest into farmland will increase stormwater runoff	•Control increased run off using development measures: eg onsite detention •Increase scheme capacity to account for increased runoff •Restrict or prevent land conversions	•Increased development costs •Increased costs for river schemes •Resistance from property owners •Political pressure due to economic development policy •May need policy changes at a regional or national level to achieve

Infrastructure investment programme

The issues, options and implications highlighted in Section 4 require an investment programme to manage the risks. The current programme utilises the AMP and other projects such as the River Scheme Sustainability Project.

Delivery Framework

The ongoing delivery framework shows how current and future trends are incorporated for decision making. As more becomes known around inputs for decision making, level of service reviews will become more important as affordability may become an issue. The River Scheme Advisory Groups are key bodies to determine the appropriate level of service as their members gain the main benefit and pay most of the costs of the River Schemes.



The delivery framework shows that updated climate forecasts are likely to eventually lead to a change from the current engineering approach to managing flood risk. In the longer term other delivery options may become more cost effective, however, these need to be assessed based on climate, levels of service, and affordability.

In the short term, repairing the damage from the April 2017 flood event is the priority.

Infrastructure strategy Investment Programme assumptions

The Infrastructure Strategy Investment Programme is based on the following assumptions:

- Initial estimates for repairs for the April 2017 flood event have been included. No other major disasters affecting asset life have been included in lifecycle costs or level of service requirements
- Expenditure figures are based on maintaining the current levels of service
- The River Scheme Sustainability Project has not yet reached a position to advise on specific alternative options that can replace existing hard engineering programmed works
- The AMP has been used as the primary source of capital infrastructure and operational costs
- Asset lifecycle costs are based on useful remaining lives, condition assessments (where completed) and risks consistent with the International Infrastructure Management Manual
- There is significant variance in the confidence of the capital project costs. Some projects in the first years of the programme are at 90% confidence level, whereas some placeholder projects in the later years are at a 10% confidence level. The confidence of these projects will improve as assumptions and risks are clarified
- There is no planned disposal of assets or planned deferred expenditure
- The AMP has an improvement programme. This includes enhancing the asset and renewal forecasting processes

Implications of uncertainty

Cost estimates for future works are indicative. Uncertainty increases in later years.

An upper confidence band has been added to the total costs per year (See Figure 1). This takes into account the unknown and unquantified assumptions and risks, such as flood damage from large events, climate change effects, stop bank strengthening to combat sea level rise etc. The upper confidence band cost estimates are not transferred into the financial model to determine the rates, instead they are used to tell the story of uncertainty around our future cost projects, and the influences of many and varied factors that affect our projects.

Costs will be refined through detailed investigations including hydraulic modelling, capacity reviews, geotechnical studies and detailed design. It is expected that with each AMP and LTP revision, the cost estimates will be updated, particularly those in the early parts of these plans which will reflect updated estimates based on the more detailed work, and a better understanding of our assumptions and risks.

Total expenditure

In addressing the issues identified in the previous section of this strategy, BOPRC expects to spend $98m on new or replacement infrastructure in our Rivers and Drainage Schemes, between 2018 and 2048. Over the same period, $362m is expected to be spent on operations which include maintenance, insurance, limited flood damage repairs, engineering analysis and modelling, and loan repayments in our Rivers and Drainage Schemes.

Infrastructure activity	Capital expenditure	Operational expenditure
River Scheme Management	$98m	$362m

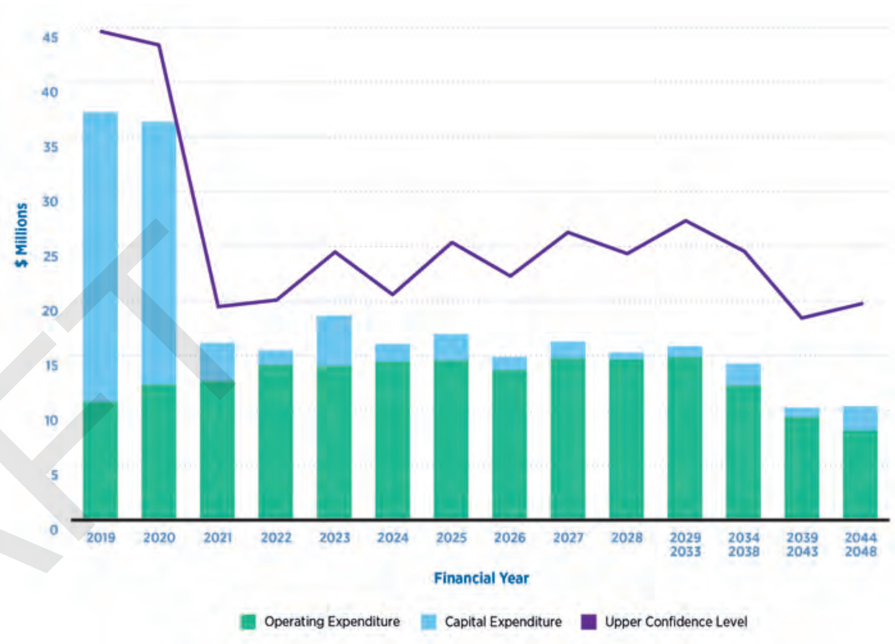
Capital expenditure highlights

Table 1 shows the expected year on year expenditure up to 2028 and then takes an average spend over five year blocks up to 2048. The following graph also includes the operational expenditure to show how expenditure is dominated by operational requirements.

Example key capital projects include:

- Prioritised flood repairs across the schemes
- Rangitāiki Floodway and Spillway
- Replacement of the Ford Road Pump Station and adjacent stop banking on the Kaituna Scheme
- Raising of stop banks due to climate change and stop bank reconstructions on the Waioeka/Otara Rivers
- Upgrade of Duke Street Pump Station on the Waioeka/Otara Scheme

Timeline of Expenditure Projects across the River Schemes for the next 30 years



Notes:

1 2029-2033, 2034-2038, 2039-2043, 2044-2048 are average spend per year.

2 The Upper Confidence Level represents a confidence band within which the total costs per year may occur. This takes into account the unknown and unquantified assumptions and risks, such as flood damage from large events. Future improvements to the AMP model will allow for enhanced forecasting of Renewals and Asset Build Programmes and will also incorporate the beneficial influences of programmes like the River Scheme Sustainability Project.

3 The peak in 2019 and 2020 is associated with April 2017 flood repair work, the Rangitāiki Reid's Floodway work and the Kaituna Ford Pump Station.

4 Operational Expenditure reduces from 2029-2048 due to the current assumption of loan repayments and associated finance costs reducing.

BOPRC Flood Protection and Control Operational Expenditure 2018-2048

AMP cost categories	2019 $000	2020 $000	2021 $000	2022 $000	2023 $000	2024 $000	2025 $000	2026 $000	2027 $000	2028 $000	2029-2033 $000	2034-2038 $000	2039-2043 $000	2044-2048 $000
Maintenance and operating costs	4,034	4,537	4,441	3,945	3,949	3,954	3,959	3,965	3,972	3,979	19,860	19,860	19,860	19,860
Flood event	699	564	-	1,795	1,398	1,398	1,129	-	887	699	4,456	4,113	4,456	4,113
Disaster Insurance	213	230	248	268	290	312	338	365	394	425	1,973	1,973	1,973	1,973
Finance Costs	1,975	2,884	3,262	3,564	3,528	3,560	3,763	3,726	3,580	3,407	13,021	6,870	2,773	1,919
Depreciation	1,175	1,022	1,238	1,042	1,076	1,048	1,063	1,063	1,055	1,059	5,372	5,434	5,449	5,552
Overheads	1,464	1,457	1,504	1,488	1,511	1,555	1,536	1,529	1,541	1,508	7,624	7,621	7,621	7,621
Loan Repayments	1,303	1,710	2,077	2,195	2,399	2,701	2,829	3,088	3,373	3,656	22,444	16,046	5,038	64
Total	**10,862**	**12,403**	**12,770**	**14,297**	**14,150**	**14,527**	**14,618**	**13,736**	**14,800**	**14,732**	**74,749**	**61,917**	**47,171**	**41,101**

Notes:

1 Maintenance costs and some other operational costs are identical for each year, based on the assumption that most capital works replace like with like and there will be limited new infrastructure that does not replace infrastructure already maintained. The current figures are generated by the AMP model to create annualised figures to create a smoothing for rates.

2 Future improvements to the AMP model will allow for improved forecasting of operational costs based on the Renewal and Asset Programme, area serviced and other system influences such as the beneficial influences of programmes like the River Scheme Sustainability Project.

3 The capital costs in Figure 1 include costs of 15% for engineering and project management, 20% for resource consents and 30% contingencies.

4 Allowance has been made for a 1-in-5 year and 1-in-10 year flood damage repair costs throughout the 30 years.

Major Flood Control Capital Works Programme summary

Major new flood control infrastructure projects (defined as being $0.5m or more of capital expenditure in the AMP) that are expected to be undertaken in the 2018-2048 period are shown in the table below. The estimated capital costs are expressed in 2018 dollars.

Major work	Cost $000	Timing	Assumptions
Kaituna Catchment Control Scheme			
Ford Road Pump Station replacement	2,200	2018/19	Timing to suit Kaituna Diversion Project.
Pump electronics upgrade ($80,000); Kaituna River Desilting (New, $150k), Te Puke Stormwater Project pump and drainage investigation ($150k) Diagonal Drain diesel Generation ($260k)	640	2018/19	
Stop bank construction for river diversion	1,500	2019/20	Timing to suit Kaituna Diversion Project.
Pump replacements ($80k) Kaituna River desilting ($150k), Te Puke Stormwater Consenting ($150k)	380	2019/20	
Utuhina Stop banks (Stage 1)	630	2019/20	
Utuhina Stop banks (Stage 2)	500	2020/21	
Pump electrical ($20k) Armour and McLeod Pumping ($2.5m)	2,520	2020/21	
Climate change 2030 scenario	1,900	2024/25	
Modelling Lower Kaituna	798	2031-2035	
Stop bank reconstruction	951	2031-2035	
Climate change 2080 scenario	775	2031-2035	
Stop bank reconstruction	951	2041-2045	
Climate change capital works	775	2041-2045	
Consent Renewal	1,558	2046-2048	

Major work	Cost $000	Timing	Assumptions
Rangitāiki – Tarawera Rivers Scheme			
Modelling Rangitāiki; Stop bank upgrades, River Overlays	1650	2018/19	
Rangitāiki Floodway	4,300	2018/19	
Prioritised flood repairs	14,256	2018/19 – 2019/20	
Rangitāiki D/S Edgecumbe; Rangitāiki River Overlays	1,550	2019/20	
Spillway	1,200	2019/20	
Tarawera stop bank reconstruction 1/6th	600	2021/22	
Tarawera stop bank reconstruction 1/3rd	1,200	2022/23	
Stop bank reconstruction	1,800	2031-2035	
Climate change capital works	1,200	2031-2035	
Stop bank reconstruction	1,800	2041-2045	
Climate change capital works	1,200	2041-2045	
Whakatāne – Waimana Rivers Scheme			
Flood damage repairs	5,779	2018/19	
Flood damage repairs	5,779	2019/20	
Canal stop banks	570	2023/24	
Climate change capital works	730	2023/24	
Whakatāne River stop banks	600	2026-2030	
Climate change capital works	780	2026-2030	
Concrete Wall	553	2026-2030	
Canal stop banks	500	2031-2035	
Pumps	661	2031-2035	
Climate change capital works	730	2031-2035	
Whakatāne River stop banks	600	2036-2040	
Climate change capital works	780	2036-2040	

Major work	Cost $000	Timing	Assumptions
Floodgate structure	788	2041-2045	
Canal stop banks	500	2041-2045	
Whakatāne River stop banks	600	2046-2048	
Waioeka-Otara Rivers Scheme			
Climate change	2,484	2018/19	
Duke Street PS upgrade (holding estimate $1.5m); Consent renewals for 61321 and 61322 ($90k)	1,590	2019/20	
Climate change capital works	2,484	2019/20	
50% total stop bank reconstruction	765	2022/23	
Duke Street electronics and pumps	765	2022/23	
Climate change capital works	850	2022/23	
50% total stop bank reconstruction	1,015	2031-2035	
Climate change capital works	1,100	2031-2035	
50% total stop bank reconstruction	750	2041-2045	
Climate change capital works	650	2041-2045	

Infrastructure strategy improvement plan

The Infrastructure Strategy is a live document and will develop as new information is incorporated. The improvement plan will consider:

(a) The results of the River Scheme Sustainability Project with its deliverable of 100 year integrated catchment frameworks,

(b) Climate change, earthquake, tectonic subsidence and other natural hazards that could impact on flood infrastructure,

(c) Other key council projects and programmes such as the Invest Bay of Plenty Spatial Plan, Water Programme, Tauranga Harbour Strategy and similar.

Prospective Financial Statement

Prospective statement of comprehensive revenue and expenses

Annual Plan 2017/18 $000		Notes	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Operating revenue											
22,950	General rates		26,423	27,755	29,153	30,621	32,162	33,781	35,480	37,265	39,138	41,106
16,034	Targeted rates		25,042	27,710	28,222	28,606	28,939	29,449	30,591	30,632	31,188	31,604
15,056	Subsidies and grants		19,256	20,942	19,007	19,641	13,312	13,394	13,625	13,859	14,152	14,434
9,532	Fees and charges		10,157	11,353	11,884	12,374	12,871	13,388	13,841	14,325	14,798	15,282
7,086	Finance income		7,301	7,899	7,748	7,903	8,446	9,395	10,115	11,673	12,505	14,005
25,600	Dividends		29,100	29,973	30,871	31,797	32,751	33,733	34,745	35,787	36,861	37,967
1,857	Other revenue		10,807	10,142	2,173	2,205	2,239	2,273	2,310	2,349	2,391	2,436
98,114	**Total operating revenue**	1	**128,087**	**135,773**	**129,059**	**133,147**	**130,720**	**135,414**	**140,707**	**145,891**	**151,035**	**156,834**
	Operating expenditure											
37,816	Personnel expenses		39,428	40,488	41,424	43,287	44,153	45,010	45,760	46,807	47,315	48,008
6,463	Depreciation and amortisation	3	7,536	8,182	8,943	9,298	9,648	9,593	9,416	9,380	8,966	8,725
0	Finance costs		3,553	5,394	6,262	6,791	7,228	7,633	8,008	8,447	8,871	9,215
80,485	Trading and other expenses		80,544	83,007	84,709	86,213	68,125	69,886	70,782	70,960	73,391	74,666
124,765	**Total operating expenditure**	1	**131,060**	**137,072**	**141,337**	**145,589**	**129,153**	**132,122**	**133,966**	**135,593**	**138,543**	**140,614**
(26,650)	**Net surplus (deficit)**		**(2,974)**	**(1,299)**	**(12,279)**	**(12,441)**	**1,567**	**3,292**	**6,742**	**10,298**	**12,492**	**16,220**

Annual Plan 2017/18 $000		Notes	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Other comprehensive revenue and expense											
961	Gain on property revaluations		693	1,233	1,430	1,451	1,590	1,672	1,886	1,915	2,079	2,223
6,480	Gain on infrastructure asset revaluations		5,613	7,231	8,714	9,338	9,946	11,020	12,162	13,325	14,568	16,777
0	Gain on maritime asset revaluations		11	12	15	13	13	15	11	6	9	13
(662)	Financial assets at fair value through other comprehensive revenue and expense		392	276	158	62	63	66	68	72	75	78
6,779	**Total other comprehensive revenue and expense**		**6,708**	**8,752**	**10,316**	**10,864**	**11,612**	**12,773**	**14,128**	**15,318**	**16,731**	**19,092**
(19,872)	**Total comprehensive revenue and expense**		**3,734**	**7,453**	**(1,962)**	**(1,577)**	**13,179**	**16,065**	**20,870**	**25,616**	**29,222**	**35,312**

Prospective statement of changes in net assets/equity

Annual Plan 2017/18 $000		Notes	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
462,361	**Balance at 1 July**		431,448	435,182	442,634	440,672	439,095	452,273	468,338	489,208	514,824	544,046
(19,872)	Total comprehensive revenue and expense previously reported		3,734	7,453	(1,962)	(1,577)	13,179	16,065	20,870	25,616	29,222	35,312
442,489	**Balance at 30 June**		**435,182**	**442,634**	**440,672**	**439,095**	**452,273**	**468,338**	**489,208**	**514,824**	**544,046**	**579,358**
	Total comprehensive revenue and expense attributable to:											
(19,872)	Equity holders of the parent		3,734	7,453	(1,962)	(1,577)	13,179	16,065	20,870	25,616	29,222	35,312

Prospective statement of financial position

Annual Plan 2017/18 $000		Notes	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Current assets											
12,435	Cash and cash equivalents		18,307	18,339	18,492	18,603	18,666	18,696	20,828	21,094	21,371	21,726
11,906	Trade and other receivables		14,511	14,830	15,156	15,490	15,846	16,226	16,616	17,031	17,474	17,946
21,148	Other financial assets - current		13,560	10,933	5,674	2,552	13,840	26,842	41,016	60,587	81,936	106,703
221	Inventories		207	212	217	221	226	232	237	243	250	256
45,710	**Total current assets**		**46,585**	**44,314**	**39,539**	**36,866**	**48,579**	**61,995**	**78,698**	**98,956**	**121,031**	**146,631**
	Non-current assets											
4,249	Trade and other receivables - non-current		2,137	2,137	2,137	2,137	2,137	2,137	2,137	2,137	2,137	2,137
350,252	Property plant and equipment		390,930	435,526	452,060	462,077	475,050	485,534	497,945	512,700	527,288	543,303
5,489	Intangible assets		6,654	7,238	7,254	7,138	6,645	6,057	5,566	5,134	4,900	4,967
64,938	Other financial assets - long term		124,269	124,269	124,269	124,269	124,269	124,269	124,269	124,269	124,269	124,269
1,877	Investment in subsidiaries		1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877	1,877
426,805	**Total non-current assets**		**525,867**	**571,048**	**587,597**	**597,499**	**609,979**	**619,875**	**631,795**	**646,118**	**660,472**	**676,553**
472,515	**Total assets**		**572,452**	**615,361**	**627,136**	**634,365**	**658,558**	**681,870**	**710,493**	**745,074**	**781,503**	**823,184**
	Current liabilities											
9,606	Trade and other payables		12,105	12,372	12,644	12,922	13,219	13,537	13,861	14,208	14,577	14,971
4,282	Employee benefit liabilities		4,602	4,703	4,806	4,912	5,025	5,146	5,269	5,401	5,541	5,691
13,888	**Total current liabilities**		**16,707**	**17,075**	**17,450**	**17,834**	**18,244**	**18,682**	**19,131**	**19,609**	**20,119**	**20,662**

Annual Plan 2017/18 $000		Notes	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Non-current liabilities											
1,138	Employee benefit liabilities - long term		1,056	1,079	1,103	1,127	1,153	1,181	1,209	1,239	1,271	1,306
0	Borrowings		104,507	139,573	152,911	161,309	171,887	178,669	185,946	194,402	201,067	206,859
15,000	Put option		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
16,138	**Total non-current liabilities**		**120,563**	**155,652**	**169,014**	**177,436**	**188,040**	**194,849**	**202,155**	**210,641**	**217,338**	**223,164**
30,026	**Total liabilities**		**137,270**	**172,727**	**186,464**	**195,270**	**206,285**	**213,532**	**221,285**	**230,250**	**237,457**	**243,826**
442,489	**Total net assets**		**435,182**	**442,634**	**440,672**	**439,095**	**452,273**	**468,338**	**489,208**	**514,824**	**544,046**	**579,358**

Annual Plan 2017/18 $000		Notes	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Equity											
212,223	Retained earnings		188,575	191,430	184,389	175,562	161,936	150,247	137,699	126,545	115,198	105,202
141,502	Asset revaluation reserve	2	133,164	141,640	151,798	162,600	174,149	186,856	200,916	216,162	232,818	251,832
(1,453)	Asset replacement reserve	2	1,502	7,924	15,002	22,486	30,287	38,060	45,641	53,187	60,327	67,222
237	Environmental enhancement fund	2	237	237	237	237	237	237	237	237	237	237
4,444	Disaster reserve	2	5,688	6,059	7,053	6,107	5,514	4,861	4,534	5,557	5,512	5,687
26	Equalisation reserve	2	2,734	3,341	2,771	2,036	2,108	3,658	7,869	14,444	23,989	36,785
33,849	Investment fund reserve	2	47,356	30,222	13,761	518	0	0	0	0	0	0
44,918	Regional fund reserve	2	2,604	7,267	10,402	13,639	21,478	27,190	33,909	39,607	46,192	51,927
0	Toi Moana reserve	2	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
1,929	Current account reserve	2	2,730	3,647	4,232	4,822	5,415	6,012	7,118	7,727	8,340	8,957
1,011	Rotorua lakes deed funding reserve	2	2,048	2,048	2,048	2,048	2,048	2,048	2,048	2,048	2,048	2,048
497	Kaituna NZTA reserve	2	548	548	548	548	548	548	548	548	548	548
476	CDEM reserve	2	600	600	600	600	600	600	600	600	600	600
259	Kaituna River authority reserve	2	255	255	255	255	255	255	255	255	255	255
425	Kaituna River remediation	2	445	445	445	445	445	445	445	445	445	445
2,146	Financial assets reserve	2	1,694	1,970	2,128	2,190	2,253	2,319	2,387	2,459	2,533	2,612
442,489	**Total equity**		**435,182**	**442,634**	**440,672**	**439,095**	**452,273**	**468,338**	**489,208**	**514,824**	**544,046**	**579,358**

Prospective statement of cash flows

Annual Plan 2017/18 $000		Notes	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Cash flows from operating activities											
36,333	General and targeted rates		51,340	55,323	57,231	59,079	60,944	63,062	65,899	67,714	70,131	72,501
15,739	Grants & subsidies		18,093	19,749	17,784	18,398	12,042	12,091	12,305	12,518	12,845	13,110
1,099	GST		1,700	1,738	1,776	1,815	1,857	1,901	1,947	1,996	2,048	2,103
12,064	Other receipts from customers		22,029	22,556	15,146	15,684	16,478	17,067	17,577	17,843	18,376	19,237
8,935	Interest income		7,285	7,881	7,730	7,884	8,426	9,374	10,093	11,650	12,481	13,979
0	Interest paid		3,553	5,394	6,262	6,791	7,228	7,633	8,008	8,447	8,871	9,215
20,900	Dividends		29,100	29,973	30,871	31,797	32,751	33,733	34,745	35,787	36,861	37,967
(66,700)	Payments to suppliers		(80,689)	(83,131)	(84,834)	(86,340)	(68,241)	(69,990)	(70,887)	(71,051)	(73,468)	(74,727)
(34,607)	Payments to employees		(38,955)	(39,996)	(40,923)	(42,776)	(43,627)	(44,468)	(45,207)	(46,237)	(46,728)	(47,404)
(6,237)	**Net cash from operating activities**		**13,456**	**19,487**	**11,042**	**12,334**	**27,857**	**30,404**	**34,481**	**38,666**	**41,415**	**45,981**
	Cash flows from investing activities											
392	Proceeds from sale of property, plant & equipment		0	0	0	0	0	0	0	0	0	0
(41,947)	Purchase of property plant & equipment		(61,974)	(43,156)	(13,173)	(6,877)	(9,375)	(5,657)	(6,103)	(7,218)	(5,511)	(4,526)
(1,458)	Purchase of intangible assets		(1,783)	(2,060)	(1,565)	(1,521)	(1,204)	(1,124)	(1,174)	(1,239)	(1,154)	(1,266)
0	Purchase of investments		(4,621)	(7,835)	(8,020)	(12,764)	(28,335)	(30,916)	(32,889)	(38,942)	(41,680)	(46,167)
45,419	Investment withdrawals		0	0	0	0	0	0	0	0	0	0
2,406	**Net cash from investing activities**		**(68,378)**	**(53,051)**	**(22,758)**	**(21,162)**	**(38,913)**	**(37,698)**	**(40,167)**	**(47,397)**	**(48,345)**	**(51,959)**

Annual Plan 2017/18 $000		Notes	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Cash flows from financing activities											
0	Proceeds from borrowings		104,507	35,066	13,338	8,398	10,578	6,782	7,277	8,456	6,665	5,792
0	Loan issued to QHL		(50,000)	0	0	0	0	0	0	0	0	0
(2,010)	Loans issued to ratepayers		(2,010)	(2,010)	(2,010)	0	0	0	0	0	0	0
597	Loan repayments from ratepayers		541	541	541	541	541	541	541	541	541	541
(1,413)	**Net cash from financing activities**		**53,039**	**33,597**	**11,869**	**8,939**	**11,119**	**7,323**	**7,818**	**8,998**	**7,206**	**6,333**
(5,244)	**Net increase/ (decrease) in cash, cash equivalents and bank overdrafts**		**(1,884)**	**33**	**153**	**111**	**63**	**29**	**2,132**	**267**	**276**	**356**
17,679	Cash, cash equivalents and bank overdrafts at the beginning of the year		20,190	18,306	18,339	18,492	18,603	18,667	18,695	20,828	21,095	21,371
12,435	**Cash, cash equivalents and bank overdrafts at the end of the year**		**18,306**	**18,339**	**18,492**	**18,603**	**18,667**	**18,695**	**20,828**	**21,095**	**21,371**	**21,727**

Notes to Prospective financial statements

Note 1 Summary financial statements - reconciliation to income and funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Revenue by group of activities										
8,128	Integrated Catchment Management	9,119	8,750	8,398	9,905	3,378	3,272	3,275	3,279	3,283	3,287
9,383	Flood Protection & Control	21,354	21,124	12,572	12,507	12,821	13,254	14,243	14,146	14,488	14,781
5,578	Resource Regulation & Monitoring	5,707	5,749	5,812	5,835	5,845	5,931	5,999	6,087	6,167	6,232
16,497	Transportation	23,731	26,287	26,887	28,236	28,819	29,408	30,132	30,880	31,702	32,447
1	Regional Development	8	8	9	9	9	9	9	10	10	10
38	Regional Planning & Engagement	0	0	0	0	0	0	0	0	0	0
1,422	Emergency Management	3,426	3,502	3,582	3,639	3,711	3,787	3,848	3,916	3,990	4,044
1,160	Technical Services	1,634	2,213	2,288	2,341	2,385	2,431	2,453	2,478	2,501	2,539
35,686	Corporate Services	40,565	44,457	46,203	47,709	49,299	51,107	53,289	55,622	57,200	59,453
77,894	**Activity operating revenue**	**105,544**	**112,091**	**105,750**	**110,181**	**106,266**	**109,199**	**113,248**	**116,418**	**119,341**	**122,792**
22,950	General rates	26,423	27,755	29,153	30,621	32,162	33,781	35,480	37,265	39,138	41,106
0	Investment income allocated	0	0	0	0	0	0	0	0	0	0
100,843	**Total activity operating revenue**	**131,967**	**139,846**	**134,903**	**140,802**	**138,428**	**142,980**	**148,729**	**153,683**	**158,479**	**163,898**
	Reconciliation to income statement										
(3,072)	Less internal interest	(4,130)	(6,223)	(7,244)	(7,655)	(7,708)	(7,566)	(8,021)	(7,792)	(7,445)	(7,064)
342	Plus subsidies and grants for capital expenditure	250	2,150	1,400	0	0	0	0	0	0	0
98,113	**Total operating revenue - income statement**	**128,087**	**135,773**	**129,059**	**133,147**	**130,720**	**135,414**	**140,707**	**145,891**	**151,035**	**156,834**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Reconciliation to funding impact statement										
(342)	Less subsidies and grants for capital expenditure	(250)	(2,150)	(1,400)	0	0	0	0	0	0	0
0	Less other dedicated capital funding	(9,000)	(8,000)	0	0	0	0	0	0	0	0
0	Less vested asset revenue	0	0	0	0	0	0	0	0	0	0
97,771	**Total sources of operating funding**	**118,837**	**125,623**	**127,659**	**133,147**	**130,720**	**135,414**	**140,707**	**145,891**	**151,035**	**156,834**
	Expenditure by group of activities										
30,637	Integrated Catchment Management	26,661	26,483	27,636	31,198	19,191	19,471	19,937	19,599	19,712	19,918
16,037	Flood Protection & Control	13,302	14,780	14,940	16,635	16,482	16,790	16,989	15,872	17,092	16,822
16,383	Resource Regulation & Monitoring	17,259	17,852	18,296	19,059	18,958	19,311	19,553	19,851	20,145	20,313
21,991	Transportation	25,619	28,075	28,740	30,378	30,889	31,540	32,452	33,114	34,011	34,938
13,927	Regional Development	11,618	11,561	12,949	8,121	1,733	1,736	1,698	1,759	1,838	1,850
17,716	Regional Planning & Engagement	19,236	19,806	19,766	20,574	21,473	21,881	21,820	22,938	22,264	22,351
3,107	Emergency Management	3,426	3,502	3,582	3,639	3,711	3,787	3,848	3,916	3,990	4,044
7,797	Technical Services	14,321	15,278	15,809	16,251	16,574	16,876	17,022	17,201	17,330	17,492
241	Corporate Services	3,748	5,958	6,863	7,389	7,850	8,296	8,668	9,134	9,605	9,949
127,836	**Total operating expenditure**	**135,191**	**143,295**	**148,582**	**153,244**	**136,862**	**139,688**	**141,987**	**143,385**	**145,987**	**147,678**
	Reconciliation to income statement										
(3,072)	Less internal interest	(4,130)	(6,223)	(7,244)	(7,655)	(7,708)	(7,566)	(8,021)	(7,792)	(7,445)	(7,064)
124,764	**Total expenditure - income statement**	**131,060**	**137,072**	**141,337**	**145,589**	**129,153**	**132,122**	**133,966**	**135,593**	**138,543**	**140,614**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Reconciliation to funding impact statement										
(6,463)	Less depreciation	(7,536)	(8,182)	(8,943)	(9,298)	(9,648)	(9,593)	(9,416)	(9,380)	(8,966)	(8,725)
118,301	**Total applications of operating funding**	**123,525**	**128,889**	**132,394**	**136,291**	**119,506**	**122,529**	**124,550**	**126,213**	**129,576**	**131,889**
(26,650)	**Net cost of service**	**(2,974)**	**(1,299)**	**(12,279)**	**(12,441)**	**1,567**	**3,292**	**6,742**	**10,298**	**12,492**	**16,220**
(20,529)	**Surplus (deficit) of operating funding**	**(4,688)**	**(3,266)**	**(4,736)**	**(3,144)**	**11,214**	**12,885**	**16,157**	**19,678**	**21,458**	**24,945**

Each group of activity financial statement includes internal costs, internal revenues, and non-monetary transactions.

In order to fairly reflect the total external operations for the Council in the income statement, internal transactions are eliminated as shown.

In order to comply with schedule 10 of the Local Government Act 2002, internal and non-monetary transactions are eliminated in the funding impact statement (whole of Council) as shown.

Note 2 Reserves

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Asset Revaluation Reserve										
134,061	Opening balance surplus (deficit)	126,848	133,164	141,640	151,798	162,600	174,149	186,856	200,916	216,162	232,818
7,441	Deposits	6,316	8,476	10,158	10,802	11,549	12,707	14,060	15,246	16,656	19,014
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
141,502	**Closing balance surplus (deficit)**	**133,164**	**141,640**	**151,798**	**162,600**	**174,149**	**186,856**	**200,916**	**216,162**	**232,818**	**251,832**
	Asset Replacement Reserve										
(743)	Opening balance surplus (deficit)	(4,392)	1,502	7,925	15,003	22,487	30,287	38,061	45,642	53,188	60,328
8,525	Deposits	8,839	9,892	11,019	11,528	12,082	12,328	12,280	12,504	12,374	12,415
(9,236)	Withdrawals	(2,945)	(3,469)	(3,942)	(4,043)	(4,281)	(4,555)	(4,699)	(4,957)	(5,234)	(5,521)
(1,454)	**Closing balance surplus (deficit)**	**1,502**	**7,925**	**15,003**	**22,487**	**30,287**	**38,061**	**45,642**	**53,188**	**60,328**	**67,222**
	Environmental Enhancement Fund										
547	Opening balance surplus (deficit)	237	237	237	237	237	237	237	237	237	237
0	Deposits	0	0	0	0	0	0	0	0	0	0
(310)	Withdrawals	0	0	0	0	0	0	0	0	0	0
237	**Closing balance surplus (deficit)**	**237**	**237**	**237**	**237**	**237**	**237**	**237**	**237**	**237**	**237**
	Disaster Reserves										
8,758	Opening balance surplus (deficit)	5,480	5,688	6,060	7,054	6,108	5,514	4,862	4,534	5,558	5,513
1,086	Deposits	921	960	994	1,008	963	941	990	1,024	1,043	1,056
(5,400)	Withdrawals	(713)	(588)	0	(1,954)	(1,557)	(1,593)	(1,317)	0	(1,088)	(881)
4,444	**Closing balance surplus (deficit)**	**5,688**	**6,060**	**7,054**	**6,108**	**5,514**	**4,862**	**4,534**	**5,558**	**5,513**	**5,688**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Equalisation Fund Reserve										
0	Opening balance surplus (deficit)	1,881	2,734	3,341	2,771	2,036	2,108	3,658	7,869	14,444	23,989
4,831	Deposits	854	612	0	0	88	1,550	4,211	6,575	9,546	12,795
(4,805)	Withdrawals	0	(4)	(570)	(736)	(16)	0	0	0	0	0
26	**Closing balance surplus (deficit)**	**2,734**	**3,341**	**2,771**	**2,036**	**2,108**	**3,658**	**7,869**	**14,444**	**23,989**	**36,785**
	Kaituna NZTA reserve										
497	Opening balance surplus (deficit)	548	548	548	548	548	548	548	548	548	548
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
497	**Closing balance surplus (deficit)**	**548**	**548**	**548**	**548**	**548**	**548**	**548**	**548**	**548**	**548**
	CDEM Group Reserve										
476	Opening balance surplus (deficit)	600	600	600	600	600	600	600	600	600	600
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
476	**Closing balance surplus (deficit)**	**600**	**600**	**600**	**600**	**600**	**600**	**600**	**600**	**600**	**600**
	Kaituna River Authority Reserve										
259	Opening balance surplus (deficit)	255	255	255	255	255	255	255	255	255	255
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
259	**Closing balance surplus (deficit)**	**255**	**255**	**255**	**255**	**255**	**255**	**255**	**255**	**255**	**255**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Kaituna River Remediation										
445	Opening balance surplus (deficit)	445	445	445	445	445	445	445	445	445	445
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
445	**Closing balance surplus (deficit)**	**445**	**445**	**445**	**445**	**445**	**445**	**445**	**445**	**445**	**445**
	Investment Fund Reserve										
88,138	Opening balance surplus (deficit)	62,852	47,356	30,222	13,761	518	0	0	0	0	0
0	Deposits	0	0	0	0	0	0	0	0	0	0
(54,288)	Withdrawals	(15,496)	(17,134)	(16,461)	(13,243)	(518)	0	0	0	0	0
33,850	**Closing balance surplus (deficit)**	**47,356**	**30,222**	**13,761**	**518**	**0**	**0**	**0**	**0**	**0**	**0**
	Regional Fund Reserve										
48,493	Opening balance surplus (deficit)	45,466	2,604	7,267	10,402	13,639	21,478	27,191	33,909	39,607	46,192
3,002	Deposits	2,138	4,663	3,135	3,237	7,839	5,713	6,718	5,698	6,585	5,736
(6,577)	Withdrawals	(45,000)	0	0	0	0	0	0	0	0	0
44,918	**Closing balance surplus (deficit)**	**2,604**	**7,267**	**10,402**	**13,639**	**21,478**	**27,191**	**33,909**	**39,607**	**46,192**	**51,928**
	Toi Moana Reserve										
0	Opening balance surplus (deficit)	0	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
0	Deposits	45,000	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
0	**Closing balance surplus (deficit)**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Current Account Reserve										
3,470	Opening balance surplus (deficit)	2,045	2,732	3,648	4,234	4,824	5,416	6,014	7,119	7,729	8,342
469	Deposits	577	584	586	590	592	598	600	610	613	617
(1,088)	Withdrawals	110	333	0	0	0	0	505	0	0	0
2,851	**Closing balance surplus (deficit)**	**2,732**	**3,648**	**4,234**	**4,824**	**5,416**	**6,014**	**7,119**	**7,729**	**8,342**	**8,959**
	Rotorua Lakes Deed Funding Reserve										
1,011	Opening balance surplus (deficit)	2,048	2,048	2,048	2,048	2,048	2,048	2,048	2,048	2,048	2,048
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
1,011	**Closing balance surplus (deficit)**	**2,048**	**2,048**	**2,048**	**2,048**	**2,048**	**2,048**	**2,048**	**2,048**	**2,048**	**2,048**
	Financial Assets for Resale Reserve										
2,808	Opening balance surplus (deficit)	1,302	1,694	1,970	2,128	2,190	2,253	2,319	2,387	2,459	2,533
0	Deposits	392	276	158	62	63	66	68	72	74	79
(662)	Withdrawals	0	0	0	0	0	0	0	0	0	0
2,146	**Closing balance surplus (deficit)**	**1,694**	**1,970**	**2,128**	**2,190**	**2,253**	**2,319**	**2,387**	**2,459**	**2,533**	**2,612**
	Total Reserves										
287,278	Opening balance surplus (deficit)	245,615	246,608	251,206	256,284	263,535	290,339	318,094	351,510	388,280	428,848
25,355	Deposits	65,037	25,462	25,524	26,529	33,176	33,867	38,820	41,560	46,644	51,402
(82,366)	Withdrawals	(64,044)	(20,863)	(20,447)	(19,278)	(6,373)	(6,113)	(5,403)	(4,790)	(6,075)	(6,091)
230,267	**Closing balance surplus (deficit)**	**246,608**	**251,206**	**256,284**	**263,535**	**290,339**	**318,094**	**351,510**	**388,280**	**428,848**	**474,159**

Note 3 Depreciation and amortisation

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Depreciation and amortisation by group of activities										
802	Integrated Catchment Management	859	1,066	1,279	1,453	1,541	1,550	1,557	1,570	1,511	1,552
1,016	Flood Protection & Control	1,410	1,257	1,473	1,277	1,310	1,283	1,298	1,297	1,289	1,294
141	Resource Regulation & Monitoring	110	147	185	178	208	214	202	203	223	208
96	Transportation	317	303	309	316	256	194	198	203	209	107
28	Regional Development	30	40	77	182	264	221	175	201	225	227
0	Regional Planning & Engagement	0	0	0	0	0	0	0	0	0	0
4	Emergency Management	0	0	0	0	0	0	0	0	0	0
761	Technical Services	743	854	1,078	1,206	1,228	1,223	1,146	1,042	928	913
3,615	Corporate Services	4,067	4,516	4,541	4,685	4,840	4,908	4,838	4,864	4,581	4,424
6,463	**Total depreciation and amortisation**	**7,536**	**8,182**	**8,943**	**9,298**	**9,648**	**9,593**	**9,416**	**9,380**	**8,966**	**8,725**

Note 4 Financial Prudence

Long Term Plan 2018-2028 disclosure statement for period commencing 1 July 2018

What is the purpose of this statement?

This statement discloses Council's planned financial performance in relation to various benchmarks, to assess whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Council is required to include this statement in its LTP 2018-2028 in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in the statement.

Rates affordability benchmark

Council meets the rates affordability benchmark if:

Its planned rates income equals or is less than each quantified limit on rates; and

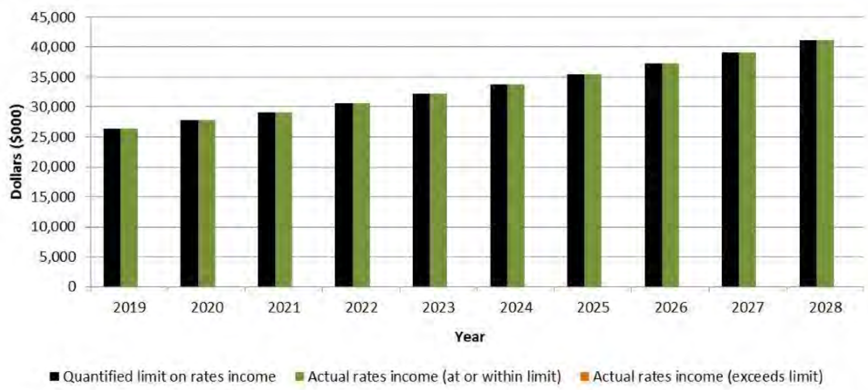
Its planned rates increase equals or is less than each quantified limit on rates increases.

Rates (income) affordability

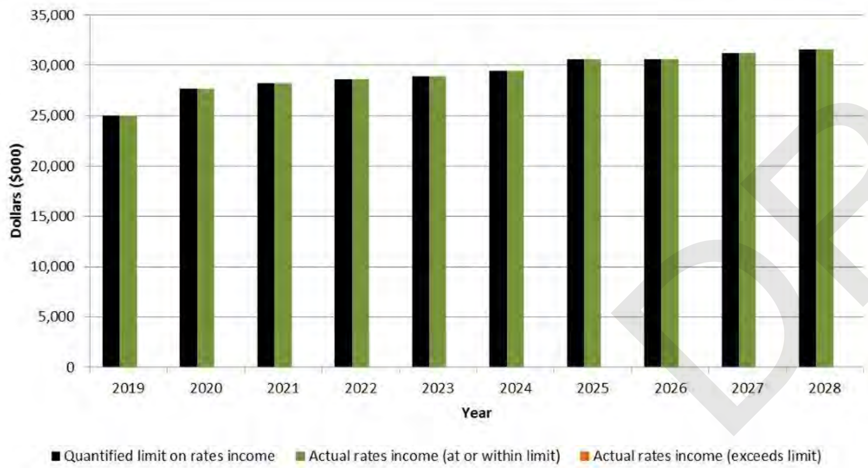
The following graphs compare the Council's planned rates income with a quantified limit on real rate increases in the financial strategy in Council's LTP 2018-2028. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars.

Quantified limit on rates	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
General rates	26,423	27,755	29,153	30,621	32,162	33,781	35,480	37,265	39,138	41,106
Targeted rates	25,042	27,710	28,222	28,606	28,939	29,449	30,591	30,632	31,188	31,604
Planned total rates	**51,465**	**55,464**	**57,375**	**59,227**	**61,102**	**63,230**	**66,071**	**67,897**	**70,327**	**72,709**

General rates



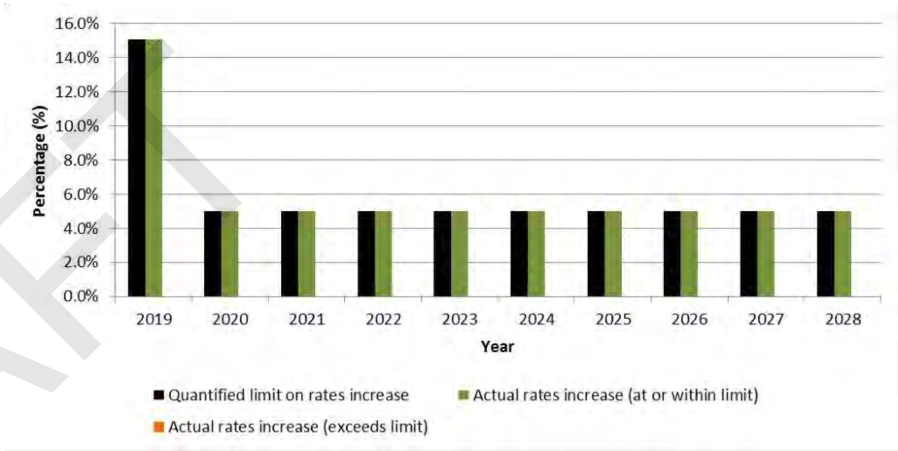
Targeted rates



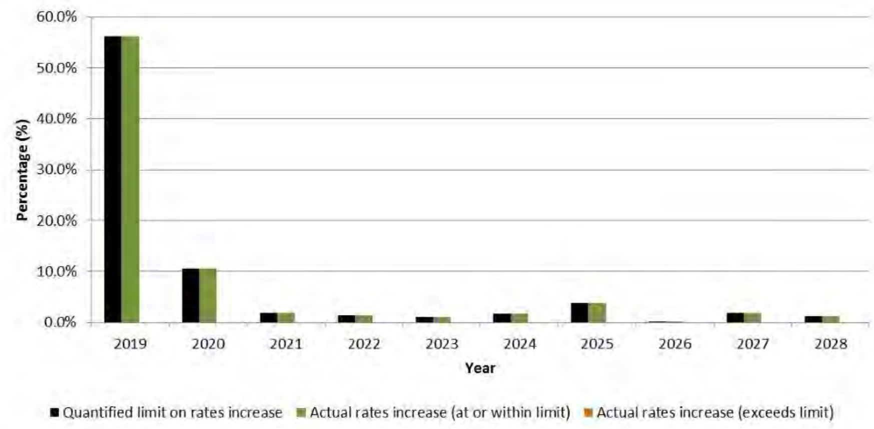
Rates (increase) affordability

The following graphs compare Council's planned rates increases with a quantified limit on real rates increases in the financial strategy in Council's LTP 2018-2028. The quantified limit is set for each financial year and measured as percentage rate rise from the previous financial year.

General rates



Targeted rates



Debt affordability benchmark

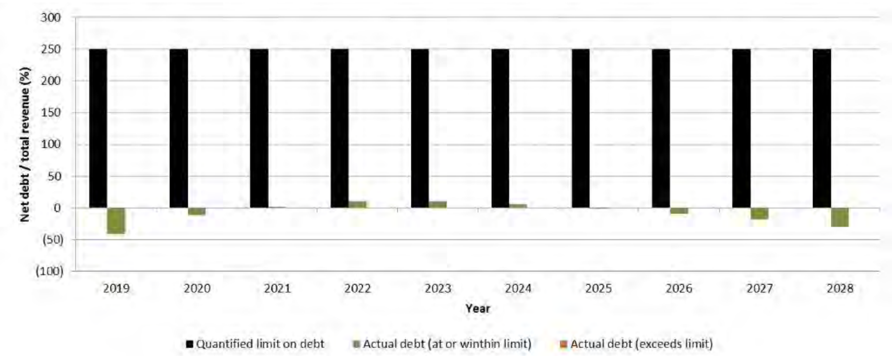
Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The following graphs compare Council's planned debt with a quantified limit on borrowing in the financial strategy included in Council's LTP 2018-2028. The quantified limit is set for borrowing within the following macro limits:

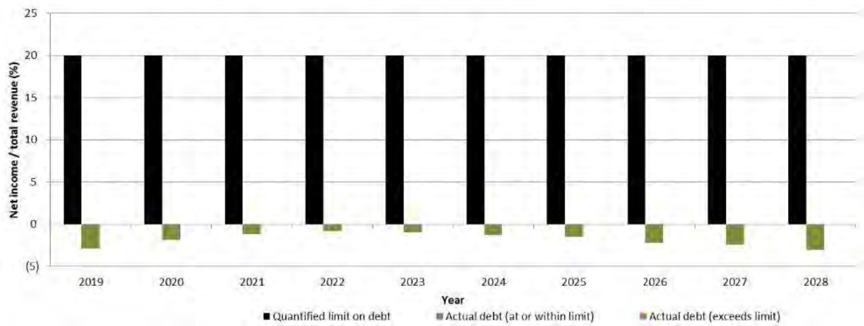
Financial covenant [1]	Limit
Net debt [2] / Total revenue [3]	<250%
Net interest / Total revenue	<20%
Net interest / Annual rates revenue	<30%
Liquidity [4]	>110%

1. Financial covenants are measured on Council only, not the consolidated group.
2. Net debt is defined as total debt less liquid financial assets and investments.
3. Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. vested assets).
4. Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

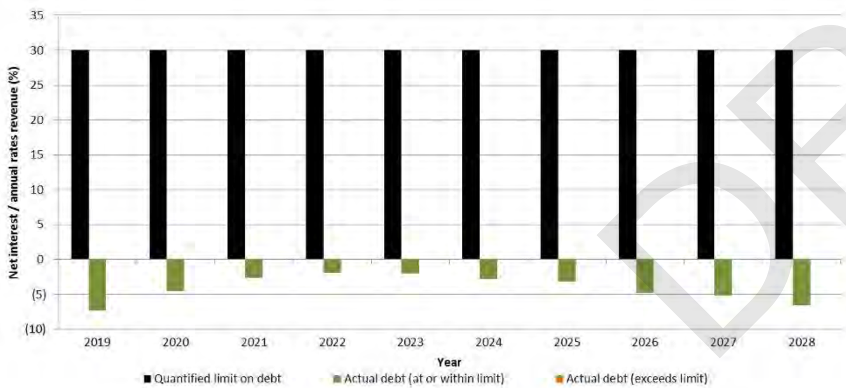
Net debt/total revenue



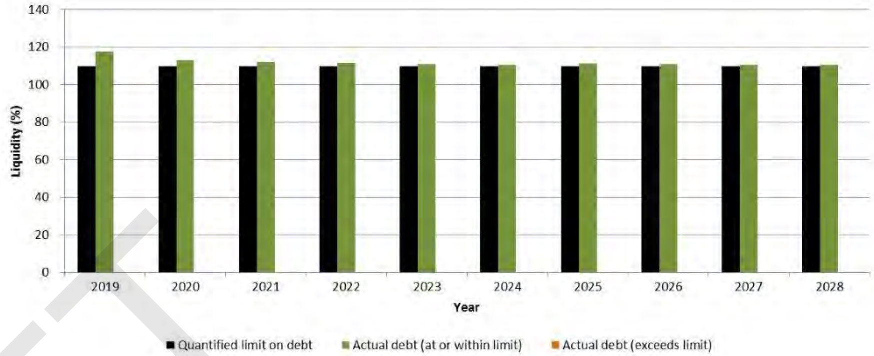
Net interest/total revenue



Net interest/annual rates revenue



Liquidity



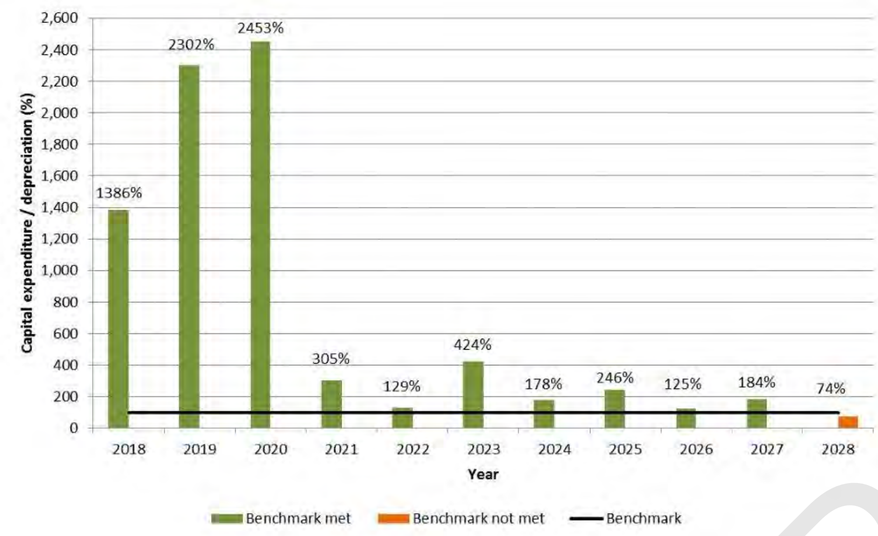
Balanced budget benchmark

The following graph displays Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of planned operating expenses (excluding losses on derivative financiall instruments and revaluations of property, plant or equipment).

Council meets this benchmark if planned revenue equals or is greater than its operating expenses.

Essential services benchmark

The following graph displays Council's planned capital expenditure on network services as a proportion of expected depreciation on network services. Council meets this benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plan or equipment).

Because Statistics New Zealand projects Council's population will grow *slower* than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 percent of its revenue.

Accounting Policies

Reporting entity

Bay of Plenty Regional Council (Council) is a regional local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

Council's primary objective is to provide goods or services for the community and social benefit, rather than making a financial return. Accordingly, Council has designated itself and the group as public benefit entities (PBEs) for the purposes of financial reporting.

The group consists of the ultimate parent, Bay of Plenty Regional Council and its subsidiary, Quayside Holdings Limited (Quayside), a 100% owned investment company. Quayside Holdings Limited has a 100% shareholding in Quayside Properties Limited, Quayside Unit Trust, Quayside Investment Trust and Quayside Securities Limited. The principal activity of Quayside Securities Limited is to act as trustee for the Quayside Unit Trust and Quayside Investment Trust. Quayside Securities Limited as trustee owns 54.1% of the shares in the POTL. Council's subsidiaries are incorporated and domiciled in New Zealand.

These prospective financial statements report on all budgets for Council activities for each of the 10 years ending 30 June.

These prospective statements are Council's only and are not consolidated with the statements of any subsidiaries (Quayside Holdings Limited companies, the Group).

Basis of preparation

The financial statements have been prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The prospective financial statements of Council have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The prospective financial statements have been prepared in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards. These financial statements comply with PBE standards.

These financial statements use forecast opening balances for the period ending 30 June 2018 and estimates have been restated accordingly, if required.

The information in the prospective financial statements is uncertain and preparation requires exercise of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be significant. Events and circumstances may not occur as expected or may not have been predicted, or Council may subsequently take actions that differ from the proposed courses of action on which the prospective financial statements are based.

Council authorised the prospective financial statements on xxx.

Council, which is authorised to do so and believes that the assumptions underlying these prospective financial statements are appropriate, has approved the LTP 2018-2028 for distribution.

Council and its management accepts responsibility for the preparation of its prospective financial statements, including appropriateness of assumptions underlying the prospective financial statements and all other required disclosures. Actual financial results have been incorporated to the extent that they affect the opening forecast prospective statement of financial position as at 1 July 2018. Council does not intend to update the prospective financial statements subsequent to presentation.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of land and buildings, certain infrastructural assets and financial instruments (including derivative instruments).

Presentation currency and rounding

Financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

Changes in accounting policies

Other than for transition to the new Public Benefit Entity Accounting Standards, there have been no changes in accounting policies.

Standards issued

In May 2013, the External Reporting Board issued a new suite of Public Benefit Entity accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. Council has applied these standards in preparing the LTP 2018-2028 financial statements.

Significant accounting policies

Consolidation

Council has not presented group prospective financial statements because it believes that the parent prospective financial statements are more relevant. The main purpose of prospective financial statements in the LTP 2018-2028 is to provide users with information about the core services Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much Council requires in rates to fund intended levels of service. The level of rates funding required is not affected by subsidiaries, except to the extent that Council obtains distributions from, or further invests in those subsidiaries. Such effects are included in the prospective financial statements.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Council activities. Revenue is shown, net of GST, rebates and discounts. The specific accounting policies for significant revenue items are explained below:

Rates revenue

General rates, targeted rates (excluding water by meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Rates remissions are recognised as a reduction in rates revenue when Council has received an application that satisfies its rates remission policy.

Government grants

Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of Council's passenger transport services. The subsidies are recognised as revenue upon entitlement once conditions pertaining to eligible expenditure have been fulfilled.

Council also receives grants in respect of qualifying operating and capital expenditure from Central Government for the Rotorua Lakes Protection and Restoration Action Plan as detailed in the funding deed. These grants are recognised as revenue in the period they are received.

Other grants

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Finance revenue

Finance revenue comprises interest income on bank deposits, finance lease interest and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Dividend income is recognised on the date that the group's right to receive payment is established, being the ex-dividend date.

Interest revenue is recognised using the effective interest method.

Rental income

Rental income from property leased under operating leases, is recognised in the statement of comprehensive revenue and expense on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Resource consent revenue

Fees and charges for resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Vested or donated physical assets

For assets received for no, or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

Sale of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

Expenses

Finance expenses

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the statement of comprehensive revenue and expense using the effective interest method. Council does not capitalise borrowing costs.

Grant expenditure

Non-discretionary grants are those that are awarded if the grant application meets specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant.

Leases

Where Council is the lessee

Leases, where Council substantially assumes all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Payments made under finance leases are allocated between the liability and finance charges, using the effective interest method, to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Payments made under operating leases are recognised in the statement of comprehensive revenue and expense on a straight line basis over the period of the lease.

Where Council is the lessor

When assets are leased under a finance lease, where the lessee effectively receives substantially all the risks and benefits of ownership of the leased items, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Assets leased under operating leases are included in property, plant and equipment in the balance sheet, as appropriate.

Payments and receivables received under operating leases are recognised in the statement of comprehensive revenue and expense on a straight line basis over the term of the lease.

Council leases property in the normal course of its business. Non-cancellable operating leases comprise mainly of property rental agreements.

Assets

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Receivables are recorded at their face value less any provision for impairment.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the first in-first out method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the first in-first out method) and net realisable value.

The amount of any write down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Term deposits

The carrying amount of term deposits, floating rate notes and bonds and other fixed rate notes approximates their fair value.

Bonds and other fixed rate notes

Bonds and other fixed rate notes are measured at their fair value after initial recognition based on independent valuations from Bancorp Limited. Gains or losses on re-measurement are recognised in equity.

Listed shares

Listed shares in subsidiaries are carried at fair value. The fair value of shares are determined by reference to published current bid price quotations in an active market.

Other financial assets

Loans and receivables are initially recognised on the date that they originated. All other financial assets (including assets designated at fair value through surplus or deficit) are recognised initially on the trade date at the which Council becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets are classified into the following categories:

Held to maturity investments

If Council has the positive intent and ability to hold debt securities to maturity, then they are classified as held to maturity. Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Held to maturity investments are term deposits.

Financial assets at fair value through surplus or deficit

A financial asset is classified at fair value through surplus or deficit if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through the surplus or deficit if Council manages such investments and makes purchase and sale decisions based on their fair value in accordance with its Treasury policy. Attributable transaction costs are recognised in the surplus or deficit as incurred. Financial assets at fair value through surplus or deficit are measured at fair value and changes therein, which takes into account any dividend income, are recognised in the surplus or deficit.

Financial assets designated at fair value through the surplus or deficit include: equity securities that otherwise would have been classified as available for sale.

Advances and receivables

Advances and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Advances and receivables include: cash and cash equivalents and trade and other receivables.

Available for sale financial assets

Available for sale financial assets are non-derivative assets that are either designated as available for sale or not classified in any other categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive revenue and expense and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to the surplus or deficit.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise the investment within 12 months of balance date. Council includes in this category:

- Investments that it intends to hold long-term but which may be realised before maturity
- Shareholdings that it holds for strategic purposes

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Investments carried at cost

Council's investment in its subsidiary is carried at cost.

Accounting for derivative financial instruments and hedging activities

Council uses derivative financial instruments to hedge its exposure to foreign exchange, commodity and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, Council does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments qualifying for hedge accounting are classified as non-current if the maturity of the instrument is greater than 12 months from reporting date and current if the instrument matures within 12 months from reporting date. Derivatives accounted for as trading instruments are classified as current.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Cash flow hedge

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of comprehensive revenue and expense.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the highly probable forecast transaction, upon which the hedge was based, occurs. When the hedged item is a non-financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in the hedging reserve is transferred to the surplus or deficit, in the same period that the hedged item affects the statement of comprehensive revenue and expense.

Fair value hedges

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive revenue and expense, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Property, plant and equipment

Property, plant and equipment consist of:

- Operational assets – Operational assets include land, buildings, plant and equipment, maritime assets and motor vehicles
- Restricted assets – Restricted assets are regional parks owned by Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions
- Infrastructure assets – Infrastructure assets are rivers and drainage networks and Rotorua lakes' structures managed by Council. Each class includes all items that are required for it to function, such as stopbanks, flood gates and drainage networks and structures

Property, plant and equipment is initially measured at cost, and subsequently stated at either fair value or cost, less depreciation and any impairment losses. Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

Revaluation

Land, buildings and infrastructure assets are measured at fair value, based on periodic valuations by external independent valuers or valuations by Council employees which are reviewed by external independent consultants. Revaluations are performed with sufficient regularity, to ensure that the carrying value of an asset does not differ materially from its fair value and atleast every three years.

Revaluation of movements are accounted for on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probably that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation of property, plant and equipment other than freehold land is calculated on a straight line basis and expensed over their useful lives. The useful lives and depreciation rates of the major classes of assets have been estimated as follows:

Class	Useful life	Depreciation rate
Buildings	5 to 100 years	1% - 20%
Plant and equipment	2 to 10 years	10% - 50%
Maritime	15 to 40 years	2.5%-6.67%
Infrastructural assets		
Concrete wall	50 years	2%
Culvert	50 years	2%
Concrete structures	70 years	1.43%
Other structures	40 years	2.50%
Pump station	70 years	1.43%
Pump components	various	various
Water ways	N/A	0%
Edge protection	N/A	0%
Buffer zone plantings	N/A	0%
Fencing	N/A	0%

Class	Useful life	Depreciation rate
Stop banks	see below	0.30%

The stop banks are maintained to convey their design flood carrying capacity. However, settlement of 50 percent of the freeboard will be allowed before stop bank reconstruction is undertaken. Stop bank reconstruction will be required on average every 20 years. To account for this, a depreciation rate of 0.3 percent is used. After 20 years the stop banks will have lost 6 percent of their value.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Intangible assets

Intangible assets which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. The estimated useful lives for the current and comparative periods are as follows:

- Computer software 1 to 10 years

The carrying amounts of Council's intangibles are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of Council's website are recognised as an expense when incurred.

Impairment of property, plant and equipment

Property, plant and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating-assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows.

Liabilities

Payables

Short-term creditors and other payables are recorded at their face value.

Provisions

A provision is recognised if, as a result of a past event, the Council has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

Long-term employee benefits

Council grants employees one-off annual leave entitlement's upon reaching certain long service targets. The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date, using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on New Zealand Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Short-term employee benefits

Employee benefits expected to be settled with 12 months after the end of period in which the employee renders the related service are measured on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

Short-term employee benefit obligations are measured on an undiscounted basis and are expenses as the related service is provided.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to Kiwisaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Loans and borrowings

Loans and borrowings are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.

After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial guarantee contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue

Equity

Council's capital is its equity (or ratepayers' funds), which comprise of retained earnings and reserves. Equity is represented by net assets.

Council has the following Council created reserves:

- Reserves for different areas of benefit
- Self-insurance reserves

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. Release of these funds can generally only be approved by Council.

Council holds the following reserves. All reserves are cash reserves except for the asset revaluation reserve and financial asset reserve.

Asset revaluation reserve

This reserve is used by Council to reflect the net increase in the fair value of property and infrastructure assets. This is a non cash reserve and is available for use by any activity that controls infrastructure or property assets.

Asset replacement reserve

This is a reserve fund for asset replacement. Contributions to the reserve are from depreciation funding. Funds from the reserve are used for the purchase of replacement assets, and transfers to the Regional Fund. This reserve is used by all activities.

Environmental enhancement fund

This reserve was established to support local projects that aim to enhance, preserve or protect the region's natural or historic character. Transfers to and from this reserve are approved by Council resolution. This reserve funds the Environmental Enhancement programme in the Community Engagement Activity.

Equalisation reserve

This reserve is used to record surpluses and deficits from all general funded activities.

Flood and disaster reserves

This reserve holds funds accumulated for the purpose of contributing to flood damage or disaster events incurred by any of the five major river and/or drainage schemes.

Contributions to this reserve are from interest earned by the funds. There is a specific bank account for these funds. Withdrawals from this account are approved by Council resolution.

This reserve is used by the Rivers and Drainage and Schemes Activity.

Investment fund reserve

This reserve is used to fund infrastructure projects that benefit the wider regional community. It was established with the proceeds of the perpetual preference share issue. Use of this reserve must comply with the Inland Revenue Department Binding Ruling. It is available for use by any activity that has infrastructure projects that meet this criteria.

Regional fund reserve

This reserve is used to fund third party infrastructure projects. It is replenished through budgeted contributions from activities, and is available for use by all activities.

Toi Moana reserve

This reserve is used to provide optimised long term investment returns without the restraint of liquidity requirements. This reserve is used by the Treasury sub activity within the Finance and Corporate Planning Activity.

Rates current accounts

The purpose of this reserve is to record the under or over-recovery of targeted rates carried forward to fund activities in future years. This is used by all activities that have targeted rates including Rotorua Lakes, Air Quality, Passenger Transport and Rivers and Drainage Schemes Activity.

Rotorua Lakes restoration reserve

This reserve records the accumulation of funds available to finance deed funded lakes projects. This reserve holds all deed funded surpluses from Central Government (MfE) and Council (general and targeted rate) funding allocated to match MfE funds. This reserve is used by the Rotorua Lakes Activity.

Financial assets available for sale reserve

This reserve reflects the net change in fair value of financial assets available for sale during the year. This is a non-cash reserve. It is used by the Treasury sub activity within the Finance and Corporate Planning Activity.

CDEM Group reserve

This reserve records the accumulation of funds available to finance Civil Defence Emergency Management Group related projects. This reserve holds all the group funded surpluses from the Territorial Authorities and the Regional Council funding. This reserve funds expenditure within the Emergency Management Activity.

Kaituna River Authority reserve

This reserve holds accumulated funds received from the Ministry for the Environment on behalf of the Kaituna River Authority.

Kaituna NZTA reserve

This reserve holds accumulated funds received from New Zealand Transport Authority on behalf of the Kaituna River Scheme. This reserve is used by the Kaituna River Scheme sub activity within the Rivers and Drainage Scheme Activity.

Kaituna River remediation reserve

This reserve holds accumulated funds received from the Kaituna rediversion project on behalf of the Kaituna River Scheme. This reserve is used by the Kaituna River Scheme sub activity within the Rivers and Drainage Scheme Activity.

Goods and Services Tax (GST)

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Cost allocation

The cost of service for each activity of council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note.

Estimates and underlying assumptions are reviewed on an ongoing basis. Judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the ten years are outlined below:

- valuation of land and buildings
- valuation of derivative financial instruments
- intangible assets
- lease classification and accounting for arrangements containing a lease

- provisions
- valuation of investments in subsidiaries

Significant assumptions

A number of forecasting assumptions have been used in the development of this LTP 2018-2028.

Put option

The Perpetual Preference Share issue has a Put option. The purpose of the Put option is to reduce the credit risk of the Perpetual Preference Share to holders. The Put option is valued annually.

The key factors which impact on the valuation of the Put option are:

- The ability of Quayside Holdings Limited as a stand-alone entity to meet future Perpetual Preference Share dividends payments
- The ability of Council to meet the obligations of the Put option if it were to be exercised
- The risk that the holders of the Perpetual Preference Share will be able to realise the capital invested in the Perpetual Preference Share

A credit default swaps technique has been used to value the Put option. This technique is consistent with the requirements of International Financial Reporting Standards to determine the fair value of a put option. Two independently developed valuation models have been used to manage the model risk, the results of the models being cross-checked to ensure there are no material valuations differences.

The key inputs and assumptions used in the models are:

- Nominal amount of credit protection on reference credit $200 million
- Term of credit protection 10 years
- Probability of default is consistent with a BB-/BB+ credit quality (Source: Moody's, based on empirical observations in the period 1983 to 2016.)

The latest valuation of the Put option was carried out on 5 September 2017 PricewaterhouseCoopers, Wellington.

Infrastructural assets

There are a number of assumptions and estimates used when performing Optimised Replacement Cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example Council could be carrying an asset at an amount that does not reflect its actual condition. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments
- Estimating any obsolescence or surplus capacity of an asset
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under-estimating the annual depreciation charge, recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, Council's infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's Asset Management Planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform a review of Council's infrastructural asset revaluations.

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The nominal value less impairment provision of trade receivables and payables, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate, that is available to Council for similar financial instruments.

Prospective financial information

The financial information contained in this document is prospective financial information in terms of accounting standard PBE FRS 42.

The purpose of the financial information is to provide ratepayers and interested parties the prospective future financial performance, financial position and cash flows of Council.

The actual results achieved for any particular financial year are also likely to vary from the information presented and may vary materially, depending on the circumstances that arise during that period.

Rounding

Some rounding variances may occur in the financial statements due to stating dollar amounts to the nearest $1,000.

Council Controlled Organisations

Introduction

A *Council Controlled Organisation* (CCO) is any company or entity in which one or more local authorities controls 50 percent or more of the voting rights, or the right to appoint 50 percent or more of the governing body of the company or entity. CCOs that are for profit are called Council Controlled Trading Organisations (CCTO). CCOs and CCTOs are established under the Local Government Act 2002.

Bay of Plenty Regional Council (BOPRC) is a shareholder in three CCO companies and that help it achieve its regional goals.

Quayside Holdings Limited (Quayside) independently manages commercial investments, such as a strategic holding in Port of Tauranga Limited. BOPRC owns 100 percent of the voting interests in Quayside.

BOPLASS Limited (Bay of Plenty Local Authority Shared Services) independently supports all councils in the region in efficiently delivering shared services. BOPRC is one of nine equal shareholders in the region, with an 11.1 percent shareholding.

The Local Government Funding Agency (LGFA) was established by the Local Government Borrowing Act 2011. It allows New Zealand councils to invest and call on loans to fund services at cheaper rates than they could through the private sector market. Council is a shareholder (16.3 percent at the end of 2016/17), along with 29 other local authorities throughout New Zealand and Central Government (11.1 percent shareholding).

This chapter provides an overview of these organisations, including their performance measures (where applicable) for Years One to 10 of this LTP 2018-2028. Council reports on the financials and performance of our CCOs in our annual reports.

Quayside Holdings Limited

Quayside Holdings Limited's objective is to derive commercial returns through commercial management and monitoring its investments.

Subsidiary companies of Quayside (collectively the Quayside Group) include:

- Quayside Securities Limited (100 percent owned)
- Quayside Unit Trust (100 percent owned)
- Quayside Investment Trust (100 percent owned)
- Quayside Properties Limited (100 percent owned)
- Port of Tauranga Limited (54.14 percent owned)

History

The Quayside Group was established in 1991 when Quayside gained a majority interest in POTL from BOPRC. The interest was acquired by Quayside Unit Trust, with Quayside Securities Limited acting as trustee for the Unit Trust. In time, Quayside Properties Limited was established to invest in regional property infrastructure. Quayside Securities Limited also acts as trustee for Quayside Investment Trust, a wholly owned Portfolio Investment Entity established in 2014.

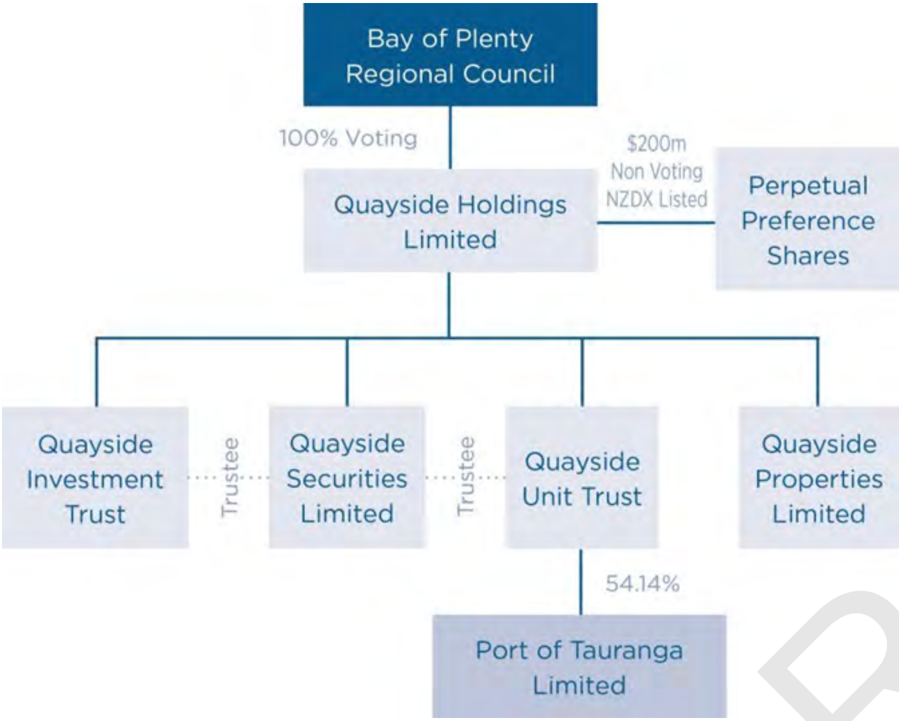
Perpetual Preference Shares

In March 2008, Council sold 200,000,783 Perpetual Preference Shares (PPS) in Quayside Holdings Limited to the public at $1 per share.

The shares are listed on the NZX Debt Market (NZDX) and are able to be bought and sold by public shareholders. Shareholders receive a fixed rate of dividend, which is reset every three years. The last reset occurred on 13 March 2017, and the dividend was reset at 4.32 percent.

Proceeds from the sale of the shares raised $200 million, providing a significant source of readily-accessible funds to meet Council's capital requirements and to assist selected regional infrastructure development, for this LTP 2018-2028 and beyond.

Quayside Group Structure



Group objectives

Every year Quayside as a CCO is required to submit a Statement of Intent. This document outlines the objectives and targets of the Quayside Group. The following objectives were agreed:

- To be an effective cornerstone shareholder, allowing POTL (or any other subsidiary) to perform as an independent commercial company through the effective separation of Council and Port responsibilities
- To enable the Council to undertake commercial activities in accord with the Local Government Act 2002
- To act as a responsible commercially focused investor and manager, targeting long-term commercial returns and delivering the shareholder growth and income
- To access additional commercial expertise through the appointment of independent directors
- To provide appropriate access to efficient funding for the benefit of the region
- Seek, and where requested by Council, identify, analyse, implement and/or manage new commercial opportunities
- To work openly with Council to provide regional benefit
- To ensure open dialogue exists between the Group and Council
- To comply with all relevant legislation as both a CCO and an issuer on the NZDX

Assets and ownership objectives

As at 30 June 2017 the market value of the Quayside investment in The Port was $1.852 billion. This represents 54.14 percent of the total shares issued by POTL. Retaining majority ownership of this asset is deemed strategic to both Quayside and Council.

Distributions

In the year to 30 June 2017 Quayside made net distributions of $20.8 million to BOPRC and $7.9 million to Perpetual Preference Shareholders.

Quayside pays distributions to shareholders out of available cash flow. The distributions targeted for the next three years to 30 June are:

Distributed to:	2018/19 Forecast $ million	2019/20 Forecast $ million	2020/21 Forecast $ million
BOPRC	$29.0	$29.9	$30.8
Perpetual Preference Shareholders (net)	$6.2	$6.2	$7.9
Total Distribution	$35.2	$36.1	$38.7

Governance

Quayside and its subsidiaries are independent from BOPRC in management and governance. Quayside is governed by a Board of Directors.

The directors of Quayside are appointed by BOPRC. The current directors are Rob McLeod (Chairman), Rob Tait, Mary-Anne Macleod, Dr Warren Parker, Jane Nees, Paula Thompson and Brett Hewlett. The Chief Executive of Quayside Holdings Limited is Scott Hamilton.

POTL is publicly listed on the NZX Main Board (NZSX), with directors appointed through its Annual General Meeting.

BOPLASS Ltd

Background

The local authorities in the Bay of Plenty and Gisborne regions established BOPLASS Ltd in 15 October 2007. It was established to investigate, develop and deliver shared services, joint procurement and communications where and when they can be done more effectively for any combinations of some or all of the councils.

BOPRC is a one-ninth (11.1 percent) shareholder in BOPLASS Ltd, along with the eight other councils in the Bay of Plenty and Gisborne.

Objectives

The objective of BOPLASS as stated in its Statement of Intent is:

"Working together with the full support and involvement of staff, we will provide benefit to Councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation."

Nature and scope of activities

The principle nature and scope of the activities of BOPLASS Ltd is to:

- Establish the underlying technology, framework, platform and policies to enable and support delivery of Shared Services
- Use joint procurement to add value to goods and services sourced for its constituent Councils
- Facilitate shared services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value
- Pursue best practice in managing all activities to obtain best value and minimise risk
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from achieving savings, levies, Council contributions or Government funding where available
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly
- Actively monitor and engage with shared service developments across the public sector to identify opportunities for further development and establishing best practice
- Represent the collective views of its shareholders in matters it is associated with

Governance

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent agreed with shareholders, the provisions of the Companies Act 1993 and the Local Government Act 2002.

The company is governed by its directors. To ensure total synergy between the company's activities and its council shareholders' activities, the nine Directors are also the Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board also includes an independent Director, appointed with specific skills to add incremental value to the Board. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

Local Government Funding Agency (LGFA)

Background

Council became a partner of the LGFA following a public consultation process in 2011. The nature of the LGFA is to provide lower-cost borrowing for New Zealand's local authorities than the local authorities could individually acquire through private sector lending institutions.

The LGFA was established by the Local Government Borrowing Act 2011. Council is a shareholder (8.3 percent at the end of 2016/17) along with other local authorities throughout New Zealand and Central Government.

Nature and scope of activities

LGFA will raise debt funding, either domestically and/or offshore in either New Zealand dollars or foreign currency, and provide debt funding to New Zealand local authorities. It may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with that business.

Objectives

LGFA operates with the primary objective of optimising the debt funding terms and conditions for participating Local Authorities. This includes:

- Providing savings in annual interest costs for all participating Local Authorities
- Making longer term borrowings available to participating Local Authorities
- Enhancing the certainty of access to debt markets for participating Local Authorities, subject always to operating in accordance with sound business practice
- Offering more flexible lending terms to participating Local Authorities

Quayside Holdings Limited Performance Indicators

			Target			
Council-Controlled Organisation	Key performance indicators	Result at 2016/17	Year One 2018/19	Year Two 2019/20	Year Three 2020/21	Year Four to Year 10 2021/22 to 2027/28
Quayside Holdings Limited *(1)*	Maintain a majority holding in the Port of Tauranga Limited	54.14% holding at 30 June 2017	Holding of greater than 51%	Holding of greater than 51%	Holding of greater than 51%	Holding of greater than 51%
	Generate commercial returns across the investment portfolio	14.20% three year rolling gross return	Three year rolling gross return of at least 7.5% per annum	Three year rolling gross return of at least 7.5% per annum	Three year rolling gross return of at least 7.5% per annum	Three year rolling gross return of at least 7.5% per annum
	Adherence to industry standards including responsible investing	Statement of Investment Policies and Objectives (SIPO) monitored monthly. No issues noted	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment Frameworks	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment Frameworks	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment Frameworks	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment Frameworks
	Generate long-term commercial returns and/or regional benefit through a portfolio of Infrastructure Assets	Annual Board assessment for each asset completed in June 2017	Annual Board assessment of benefit of each asset holding	Annual Board assessment of benefit of each asset holding	Annual Board assessment of benefit of each asset holding	Annual Board assessment of benefit of each asset holding
	Generate long-term commercial returns and/or regional benefit through a portfolio of Commercial Assets	Achieved	Annual Board assessment of benefit of each asset holding, considering long term commercial return	Annual Board assessment of benefit of each asset holding, considering long term	Annual Board assessment of benefit of each asset holding, considering long term	Annual Board assessment of benefit of each asset holding, considering long term
	Keep Council informed on a no surprises basis, providing quality and timely information	Achieved	A minimum of three presentations to Council shareholders per annum plus timely advice and support as required	A minimum of three presentations to Council shareholders per annum plus timely advice and support as required	A minimum of three presentations to Council shareholders per annum plus timely advice and support as required	A minimum of three presentations to Council shareholders per annum plus timely advice and support as required

1. The KPIs for Quayside measure the performance of the QHL Group as a whole and are not for individual subsidaries of the Group

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2016/17**	**Year One 2018/19**	**Year Two 2019/20**	**Year Three 2020/21**	**Year Four to Year 10 2021/22 to 2027/28**
Quayside Holdings Limited *(1)*	Ensure Group Policies and Procedures are current and appropriate	Achieved	All policies and procedures to be reviewed biennially	All policies and procedures to be reviewed biennially	All policies and procedures to be reviewed biennially	All policies and procedures to be reviewed biennially
	Meet shareholder distribution expectations as outlined in SOI or as otherwise agreed	Achieved	Distributions paid to agreed values	Distributions paid to agreed values	Distributions paid to agreed values	Distributions paid to agreed values
	Compliance with NZX listing requirements for PPS holders	Achieved	Monthly monitoring and reporting of compliance	Monthly monitoring and reporting of compliance	Monthly monitoring and reporting of compliance	Monthly monitoring and reporting of compliance

1. The KPIs for Quayside measure the performance of the QHL Group as a whole and are not for individual subsidaries of the Group

BOPLASS Limited Performance Indicators

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2016/17**	**Year One 2018/19**	**Year Two 2019/20**	**Year Three 2020/21**	**Year Four to Year 10 2021/22 to 2027/28**
BOPLASS Limited	Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils	Achieved - six initiatives investigated	Four initiatives	Four initiatives	Four initiatives	Four initiatives
	Provide support to BOPLASS councils that are managing or investigating Shared Services projects	New measure	0.25 FTE assigned, and job tracking	0.25 FTE assigned, and job tracking	0.25 FTE assigned, and job tracking	0.25 FTE assigned, and job tracking
	Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase the breadth of BOPLASS collaboration.	New measure	All NZ Councils made aware of portal and minimum of ten additional Councils using the portal	All NZ Councils made aware of portal and minimum of ten additional Councils using the portal	All NZ Councils made aware of portal and minimum of ten additional Councils using the portal	All NZ Councils made aware of portal and minimum of ten additional Councils using the portal
	Ensure appointed vendors remain competitive and continued best value is returned to shareholders	New measure	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2016/17**	**Year One 2018/19**	**Year Two 2019/20**	**Year Three 2020/21**	**Year Four to Year 10 2021/22 to 2027/28**
BOPLASS Limited	Review governance performance and structure to ensure it supports BOPLASS' strategic direction	New measure	Affirmative feedback received from shareholding councils annuallyfollowing 2017/18 governance review	Affirmative feedback received from shareholding councils annually following 2017/18 governance review	Affirmative feedback received from shareholding councils annually following 2017/18 governance review	Affirmative feedback received from shareholding councils annually following 2017/18 governance review
	Communicate with each shareholding	Achieved	At least one meeting with each Executive Leadership Team per year	At least one meeting with each Executive Leadership Team per year	At least one meeting with each Executive Leadership Team per year	At least one meeting with each Executive Leadership Team per year
	Ensure current funding model is appropriate	Achieved	Performance against budgets reviewed quarterly. Company remains financially viable	Performance against budgets reviewed quarterly. Company remains financially viable	Performance against budgets reviewed quarterly. Company remains financially viable	Performance against budgets reviewed quarterly. Company remains financially viable

Local Government Funding Agency (LGFA) Performance Indicators

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2016/17**	**Year One 2018/19**	**Year Two 2019/20**	**Year Three 2020/21**	**Year Four to Year 10 2021/22 to 2027/28**
Local Government Funding Agency (LGFA)	LGFA's average cost of funds on debt issued relative to the average cost of funds for NZ Government Securities	0.709%	Less than 0.50 percent higher	Less than 0.50 percent higher	Less than 0.50 percent higher	Less than 0.50 percent higher
	Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities	0.104%	No more than 0.10 percent	No more than 0.10 percent	No more than 0.10 percent	No more than 0.10 percent
	LGFA's annual issuance and operating expense	$4.6m	Less than $5.65 million	Less than $6.58 million	Less than $7.06 million	Not available
	Total lending to Participating Local Authorities	$7.736m	At least $5,760 million	At least $6,970 million	At least $7,610 million	Not available
	Savings on borrowing costs for council borrowers	LGFA issurance spreads improved relative to stand alone Council issuers and NZ registered banks.	LGFA will demonstrate the savings to council borrowers achieved in the relevant financial year and compared to previous financial years	LGFA will demonstrate the savings to council borrowers achieved in the relevant financial year and compared to previous financial years	LGFA will demonstrate the savings to council borrowers achieved in the relevant financial year and compared to previous financial years	LGFA will demonstrate the savings to council borrowers achieved in the relevant financial year and compared to previous financial years

Funding Impact Statement

The Funding Impact Statements on the following pages are presented for compliance with Local Government (Financial Reporting and Prudence) Regulations 2014. In accordance with the regulations, the information presented is incomplete and not prepared in compliance with generally accepted accounting practice. It should not be relied upon for any other purpose than compliance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

The key differences between the Funding Impact Statements and the Statement of Comprehensive Income are:

- Depreciation and vested assets are excluded from all Funding Impact Statements; and
- The Group of Activities Funding Impact Statement include internal borrowing

Council funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
22,950	General rates, uniform annual general charges, rates penalties	26,423	27,755	29,153	30,621	32,162	33,781	35,480	37,265	39,138	41,106
16,034	Targeted rates	25,042	27,710	28,222	28,606	28,939	29,449	30,591	30,632	31,188	31,604
14,714	Subsidies and grants for operating purposes	19,006	18,792	17,607	19,641	13,312	13,394	13,625	13,859	14,152	14,434
9,563	Fees and charges	10,189	11,386	11,917	12,409	12,906	13,424	13,877	14,363	14,836	15,322
32,686	Interest and dividends from investments	36,401	37,871	38,619	39,700	41,196	43,129	44,860	47,460	49,367	51,972
1,825	Local authorities fuel tax, fines, infringement fees, and other receipts	1,775	2,110	2,140	2,171	2,204	2,237	2,273	2,312	2,352	2,396
97,772	**Total operating funding (A)**	**118,837**	**125,623**	**127,659**	**133,147**	**130,720**	**135,414**	**140,707**	**145,891**	**151,035**	**156,834**
	Applications of operating funding										
118,070	Payments to staff and suppliers	119,850	123,360	125,976	129,444	112,220	114,837	116,482	117,705	120,643	122,609
0	Finance costs	3,553	5,394	6,262	6,791	7,228	7,633	8,008	8,447	8,871	9,215
231	Other operating funding applications	131	153	175	56	57	59	60	62	63	65
118,301	**Total applications of operating funding (B)**	**123,534**	**128,908**	**132,412**	**136,291**	**119,506**	**122,529**	**124,550**	**126,213**	**129,576**	**131,889**
(20,529)	**Surplus (deficit) of operating funding (A - B)**	**(4,697)**	**(3,285)**	**(4,754)**	**(3,144)**	**11,214**	**12,885**	**16,157**	**19,678**	**21,458**	**24,945**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
342	Subsidies and grants for capital expenditure	250	2,150	1,400	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	54,507	35,066	13,338	8,398	10,578	6,782	7,277	8,456	6,665	5,792
398	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	9,000	8,000	0	0	0	0	0	0	0	0
740	**Total sources of capital funding (C)**	**63,757**	**45,216**	**14,738**	**8,398**	**10,578**	**6,782**	**7,277**	**8,456**	**6,665**	**5,792**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
28,196	- to improve the level of service	21,818	23,533	12,434	5,820	5,445	5,074	5,446	6,406	4,741	3,627
15,209	- to replace existing assets	41,939	21,683	2,304	2,578	5,133	1,708	1,831	2,050	1,924	2,165
(63,792)	Increase (decrease) in reserves	(5,238)	(3,826)	(5,295)	(3,685)	10,673	12,344	15,616	19,137	20,917	24,404
597	Increase (decrease) of investments	541	541	541	541	541	541	541	541	541	541
(19,789)	**Total applications of capital funding (D)**	**59,060**	**41,931**	**9,984**	**5,254**	**21,792**	**19,666**	**23,434**	**28,134**	**28,123**	**30,737**
20,529	**Surplus (deficit) of capital funding (C - D)**	**4,697**	**3,285**	**4,754**	**3,144**	**(11,214)**	**(12,885)**	**(16,157)**	**(19,678)**	**(21,458)**	**(24,945)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note: This financial statement excludes:										
6,463	Depreciation and amortisation	7,536	8,182	8,943	9,298	9,648	9,593	9,416	9,380	8,966	8,725

Integrated Catchments Management funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
6,069	General rates, uniform annual general charges, rates penalties	5,281	5,515	6,024	6,229	6,666	7,034	7,440	7,553	7,988	8,412
3,107	Targeted rates	3,117	3,107	3,107	3,107	3,106	3,107	3,106	3,107	3,107	3,107
4,914	Subsidies and grants for operating purposes	5,931	5,572	5,217	6,724	195	86	88	90	91	93
20	Fees and charges	21	21	22	22	23	23	24	24	25	26
320	Internal charges and overheads recovered	520	529	529	511	0	0	0	0	0	0
8,670	Local authorities fuel tax, fines, infringement fees, and other receipts	7,155	7,406	7,876	8,029	8,408	8,832	9,281	9,343	9,638	10,064
23,100	**Total operating funding (A)**	**22,025**	**22,149**	**22,775**	**24,621**	**18,398**	**19,082**	**19,939**	**20,117**	**20,849**	**21,701**
	Applications of operating funding										
21,597	Payments to staff and suppliers	21,506	20,653	21,123	24,346	11,962	12,184	12,535	12,213	12,381	12,668
631	Finance costs	674	1,052	1,372	1,517	1,711	1,640	1,740	1,657	1,569	1,477
7,927	Internal charges and overheads applied	4,150	4,260	4,410	4,393	3,977	4,098	4,104	4,159	4,252	4,221
0	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
30,155	**Total applications of operating funding (B)**	**26,330**	**25,965**	**26,905**	**30,256**	**17,651**	**17,921**	**18,380**	**18,029**	**18,201**	**18,366**
(7,055)	**Surplus (deficit) of operating funding (A - B)**	**(4,305)**	**(3,816)**	**(4,130)**	**(5,634)**	**748**	**1,161**	**1,559**	**2,088**	**2,648**	**3,335**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
342	Subsidies and grants for capital expenditure	250	2,150	1,400	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	7,075	6,349	2,996	997	22	23	23	24	25	25
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
342	**Total sources of capital funding (C)**	**7,325**	**8,499**	**4,396**	**997**	**22**	**23**	**23**	**24**	**25**	**25**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
6,309	- to improve the level of service	7,325	8,499	4,396	997	22	23	23	24	25	25
0	- to replace existing assets	0	0	0	0	0	0	0	0	0	0
(13,022)	Increase (decrease) in reserves	(4,305)	(3,816)	(4,130)	(5,634)	748	1,161	1,559	2,088	2,648	3,335
0	Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0
(6,713)	**Total applications of capital funding (D)**	**3,020**	**4,683**	**267**	**(4,637)**	**770**	**1,184**	**1,582**	**2,112**	**2,673**	**3,360**
7,055	**Surplus (deficit) of capital funding (C - D)**	**4,305**	**3,816**	**4,130**	**5,634**	**(748)**	**(1,161)**	**(1,559)**	**(2,088)**	**(2,648)**	**(3,335)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note 1: This financial statement excludes:										
802	Depreciation and amortisation	859	1,066	1,279	1,453	1,541	1,550	1,557	1,570	1,511	1,552
	Note 2: This financial statement includes:										
631	Internal interest	674	1,052	1,372	1,517	1,711	1,640	1,740	1,657	1,569	1,477

Flood Protection and Control funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
1,401	General rates, uniform annual general charges, rates penalties	1,055	1,637	2,216	2,233	2,326	2,448	2,623	2,753	2,940	3,033
8,369	Targeted rates	10,167	11,800	12,205	12,134	12,467	12,896	13,856	13,697	14,032	14,323
530	Subsidies and grants for operating purposes	1,900	1,000	0	0	0	0	0	0	0	0
11	Fees and charges	11	12	12	12	12	13	13	13	14	14
1,398	Internal charges and overheads recovered	1,331	1,384	1,410	1,437	1,464	1,490	1,517	1,543	1,570	1,597
2,672	Local authorities fuel tax, fines, infringement fees, and other receipts	1,681	2,495	3,234	3,220	3,256	3,400	3,626	3,820	3,969	4,050
14,380	**Total operating funding (A)**	**16,144**	**18,327**	**19,078**	**19,036**	**19,524**	**20,247**	**21,635**	**21,828**	**22,524**	**23,016**
	Applications of operating funding										
10,193	Payments to staff and suppliers	7,643	8,213	7,629	9,229	9,023	9,255	9,190	8,098	9,427	9,361
1,832	Finance costs	2,473	3,465	3,864	4,151	4,098	4,113	4,356	4,296	4,125	3,925
4,392	Internal charges and overheads applied	3,107	3,229	3,384	3,415	3,514	3,629	3,662	3,723	3,821	3,839
0	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
16,418	**Total applications of operating funding (B)**	**13,223**	**14,907**	**14,878**	**16,796**	**16,635**	**16,997**	**17,208**	**16,118**	**17,372**	**17,125**
(2,038)	**Surplus (deficit) of operating funding (A - B)**	**2,921**	**3,421**	**4,200**	**2,241**	**2,888**	**3,250**	**4,427**	**5,710**	**5,151**	**5,892**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
0	Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	21,055	17,070	3,982	1,542	4,781	2,063	2,814	1,532	2,144	1,005
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	9,000	8,000	0	0	0	0	0	0	0	0
0	**Total sources of capital funding (C)**	**30,055**	**25,070**	**3,982**	**1,542**	**4,781**	**2,063**	**2,814**	**1,532**	**2,144**	**1,005**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
14,829	- to improve the level of service	11,221	6,077	3,684	552	1,434	1,909	2,574	1,288	1,893	559
5,225	- to replace existing assets	18,834	18,992	298	991	3,347	154	239	244	250	446
(22,092)	Increase (decrease) in reserves	2,921	3,421	4,200	2,241	2,888	3,250	4,427	5,710	5,151	5,892
0	Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0
(2,038)	**Total applications of capital funding (D)**	**32,976**	**28,491**	**8,182**	**3,783**	**7,669**	**5,313**	**7,241**	**7,242**	**7,295**	**6,897**
2,038	**Surplus (deficit) of capital funding (C - D)**	**(2,921)**	**(3,421)**	**(4,200)**	**(2,241)**	**(2,888)**	**(3,250)**	**(4,427)**	**(5,710)**	**(5,151)**	**(5,892)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note 1: This financial statement excludes:										
1,016	Depreciation and amortisation	1,410	1,257	1,473	1,277	1,310	1,283	1,298	1,297	1,289	1,294
	Note 2: This financial statement includes:										
1,832	Internal interest	2,473	3,465	3,864	4,151	4,098	4,113	4,356	4,296	4,125	3,925

Resource Regulation and Monitoring funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
4,316	General rates, uniform annual general charges, rates penalties	5,223	5,399	5,537	5,921	6,010	6,306	6,629	6,946	7,401	7,763
1,157	Targeted rates	1,016	946	913	851	758	734	722	699	678	655
60	Subsidies and grants for operating purposes	60	60	60	60	60	60	60	60	60	60
4,106	Fees and charges	4,318	4,465	4,554	4,633	4,729	4,832	4,905	5,009	5,101	5,181
0	Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0
6,513	Local authorities fuel tax, fines, infringement fees, and other receipts	7,341	7,480	7,478	7,872	7,829	8,171	8,530	8,858	9,202	9,568
16,152	**Total operating funding (A)**	**17,958**	**18,350**	**18,542**	**19,337**	**19,387**	**20,103**	**20,846**	**21,571**	**22,443**	**23,227**
	Applications of operating funding										
10,244	Payments to staff and suppliers	11,114	11,432	11,566	12,377	12,155	12,385	12,621	12,864	13,115	13,373
230	Finance costs	236	294	355	355	299	248	225	178	131	86
5,538	Internal charges and overheads applied	5,668	5,825	6,014	6,093	6,239	6,405	6,445	6,545	6,613	6,582
231	Other operating funding applications	131	153	175	56	57	59	60	62	63	65
16,243	**Total applications of operating funding (B)**	**17,149**	**17,704**	**18,110**	**18,881**	**18,750**	**19,096**	**19,351**	**19,648**	**19,922**	**20,105**
(91)	**Surplus (deficit) of operating funding (A - B)**	**809**	**645**	**432**	**456**	**636**	**1,007**	**1,495**	**1,923**	**2,520**	**3,121**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
0	Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	106	261	111	113	278	119	121	299	128	131
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
0	**Total sources of capital funding (C)**	**106**	**261**	**111**	**113**	**278**	**119**	**121**	**299**	**128**	**131**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
104	- to improve the level of service	0	0	0	0	0	0	0	0	0	0
0	- to replace existing assets	106	261	111	113	278	119	121	299	128	131
(792)	Increase (decrease) in reserves	267	104	(109)	(86)	95	466	954	1,382	1,979	2,580
597	Increase (decrease) of investments	541	541	541	541	541	541	541	541	541	541
(91)	**Total applications of capital funding (D)**	**914**	**906**	**543**	**569**	**915**	**1,126**	**1,617**	**2,222**	**2,648**	**3,252**
91	**Surplus (deficit) of capital funding (C - D)**	**(808)**	**(645)**	**(432)**	**(455)**	**(636)**	**(1,007)**	**(1,495)**	**(1,923)**	**(2,520)**	**(3,121)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note 1: This financial statement excludes:										
141	Depreciation and amortisation	110	147	185	178	208	214	202	203	223	208
	Note 2: This financial statement includes:										
230	Internal interest	236	294	355	355	299	248	225	178	131	86

Transportation funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
1,932	General rates, uniform annual general charges, rates penalties	806	761	788	921	911	965	1,091	1,085	1,177	1,323
3,612	Targeted rates	8,654	9,720	9,810	10,288	10,336	10,394	10,544	10,717	10,912	11,024
7,790	Subsidies and grants for operating purposes	10,028	11,048	11,189	11,699	11,874	12,035	12,249	12,464	12,731	12,994
4,394	Fees and charges	4,309	4,780	5,150	5,510	5,870	6,240	6,600	6,960	7,320	7,690
423	Internal charges and overheads recovered	734	757	773	788	805	821	838	856	874	893
3,543	Local authorities fuel tax, fines, infringement fees, and other receipts	1,824	1,754	1,762	1,919	1,881	1,943	2,091	2,072	2,150	2,312
21,694	**Total operating funding (A)**	**26,355**	**28,821**	**29,471**	**31,125**	**31,677**	**32,399**	**33,413**	**34,154**	**35,164**	**36,235**
	Applications of operating funding										
20,533	Payments to staff and suppliers	24,584	27,041	27,673	29,300	29,858	30,546	31,450	32,095	32,961	33,992
0	Finance costs	0	0	0	0	0	0	0	0	0	0
1,785	Internal charges and overheads applied	1,451	1,488	1,530	1,550	1,579	1,621	1,642	1,671	1,716	1,732
0	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
22,318	**Total applications of operating funding (B)**	**26,036**	**28,529**	**29,203**	**30,850**	**31,437**	**32,167**	**33,091**	**33,767**	**34,676**	**35,724**
(624)	**Surplus (deficit) of operating funding (A - B)**	**319**	**292**	**268**	**275**	**239**	**232**	**322**	**387**	**488**	**511**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
0	Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	0	0	0	0	947	0	0	0	0	0
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
0	**Total sources of capital funding (C)**	**0**	**0**	**0**	**0**	**947**	**0**	**0**	**0**	**0**	**0**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
1,508	- to improve the level of service	0	0	0	0	947	0	0	0	0	0
0	- to replace existing assets	0	0	0	0	0	0	0	0	0	0
(2,132)	Increase (decrease) in reserves	319	292	268	275	239	232	322	387	488	511
0	Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0
(624)	**Total applications of capital funding (D)**	**319**	**292**	**268**	**275**	**1,186**	**232**	**322**	**387**	**488**	**511**
624	**Surplus (deficit) of capital funding (C - D)**	**(319)**	**(292)**	**(268)**	**(275)**	**(239)**	**(232)**	**(322)**	**(387)**	**(488)**	**(511)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note 1: This financial statement excludes:										
96	Depreciation and amortisation	317	303	309	316	256	194	198	203	209	107

Regional Development funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
679	General rates, uniform annual general charges, rates penalties	643	649	644	693	759	782	794	849	932	977
0	Targeted rates	0	0	0	0	0	0	0	0	0	0
0	Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0
1	Fees and charges	8	8	9	9	9	9	9	10	10	10
0	Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0
1,296	Local authorities fuel tax, fines, infringement fees, and other receipts	865	866	836	888	951	976	985	1,044	1,117	1,161
1,976	**Total operating funding (A)**	**1,515**	**1,523**	**1,489**	**1,590**	**1,718**	**1,767**	**1,788**	**1,903**	**2,059**	**2,148**
	Applications of operating funding										
12,841	Payments to staff and suppliers	11,100	11,022	12,351	7,424	939	962	979	1,001	1,028	1,049
0	Finance costs	0	0	0	0	0	0	0	0	0	0
1,057	Internal charges and overheads applied	488	500	520	515	530	553	543	557	584	574
0	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
13,898	**Total applications of operating funding (B)**	**11,588**	**11,522**	**12,871**	**7,939**	**1,469**	**1,515**	**1,523**	**1,558**	**1,612**	**1,623**
(11,922)	**Surplus (deficit) of operating funding (A - B)**	**(10,073)**	**(9,999)**	**(11,382)**	**(6,349)**	**250**	**253**	**265**	**345**	**446**	**525**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
0	Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	31	300	1,146	1,231	362	367	117	2,392	0	0
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
0	**Total sources of capital funding (C)**	**31**	**300**	**1,146**	**1,231**	**362**	**367**	**117**	**2,392**	**0**	**0**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
0	- to improve the level of service	31	300	1,146	1,231	362	367	117	2,392	0	0
0	- to replace existing assets	0	0	0	0	0	0	0	0	0	0
(11,922)	Increase (decrease) in reserves	(10,073)	(9,999)	(11,382)	(6,349)	250	253	265	345	446	525
0	Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0
(11,922)	**Total applications of capital funding (D)**	**(10,042)**	**(9,699)**	**(10,236)**	**(5,118)**	**612**	**620**	**382**	**2,737**	**446**	**525**
11,922	**Surplus (deficit) of capital funding (C - D)**	**10,073**	**9,999**	**11,382**	**6,349**	**(250)**	**(253)**	**(265)**	**(345)**	**(446)**	**(525)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note 1: This financial statement excludes:										
28	Depreciation and amortisation	30	40	77	182	264	221	175	201	225	227

Regional Planning and Engagement funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
6,377	General rates, uniform annual general charges, rates penalties	8,210	8,437	8,403	8,849	9,452	9,911	10,261	11,137	11,349	11,867
0	Targeted rates	0	0	0	0	0	0	0	0	0	0
38	Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0
0	Fees and charges	0	0	0	0	0	0	0	0	0	0
1,399	Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0
9,754	Local authorities fuel tax, fines, infringement fees, and other receipts	11,046	11,252	10,916	11,331	11,844	12,365	12,722	13,691	13,608	14,110
17,569	**Total operating funding (A)**	**19,256**	**19,689**	**19,319**	**20,180**	**21,296**	**22,276**	**22,983**	**24,828**	**24,957**	**25,977**
	Applications of operating funding										
12,267	Payments to staff and suppliers	12,365	12,770	12,481	13,321	14,042	14,188	14,165	15,103	14,198	14,369
0	Finance costs	0	0	0	0	0	0	0	0	0	0
6,848	Internal charges and overheads applied	6,872	7,036	7,286	7,253	7,431	7,693	7,654	7,835	8,067	7,981
0	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
19,115	**Total applications of operating funding (B)**	**19,236**	**19,806**	**19,766**	**20,574**	**21,473**	**21,881**	**21,820**	**22,938**	**22,264**	**22,351**
(1,546)	**Surplus (deficit) of operating funding (A - B)**	**20**	**(117)**	**(447)**	**(394)**	**(177)**	**395**	**1,164**	**1,890**	**2,693**	**3,626**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
0	Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	0	0	0	0	0	0	0	0	0	0
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
0	**Total sources of capital funding (C)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
0	- to improve the level of service	0	0	0	0	0	0	0	0	0	0
0	- to replace existing assets	0	0	0	0	0	0	0	0	0	0
(1,546)	Increase (decrease) in reserves	20	(117)	(447)	(394)	(177)	395	1,164	1,890	2,693	3,626
0	Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0
(1,546)	**Total applications of capital funding (D)**	**20**	**(117)**	**(447)**	**(394)**	**(177)**	**395**	**1,164**	**1,890**	**2,693**	**3,626**
1,546	**Surplus (deficit) of capital funding (C - D)**	**(20)**	**117**	**447**	**394**	**177**	**(395)**	**(1,164)**	**(1,890)**	**(2,693)**	**(3,626)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Emergency Management funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
601	General rates, uniform annual general charges, rates penalties	0	0	0	0	0	0	0	0	0	0
0	Targeted rates	2,299	2,348	2,398	2,437	2,483	2,530	2,573	2,624	2,671	2,707
1,382	Subsidies and grants for operating purposes	1,087	1,112	1,141	1,159	1,184	1,212	1,228	1,245	1,270	1,287
0	Fees and charges	0	0	0	0	0	0	0	0	0	0
0	Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0
930	Local authorities fuel tax, fines, infringement fees, and other receipts	41	42	43	44	45	46	47	48	49	50
2,913	**Total operating funding (A)**	**3,426**	**3,502**	**3,582**	**3,639**	**3,711**	**3,787**	**3,848**	**3,916**	**3,990**	**4,044**
	Applications of operating funding										
2,098	Payments to staff and suppliers	2,498	2,550	2,600	2,651	2,702	2,754	2,806	2,859	2,913	2,968
0	Finance costs	0	0	0	0	0	0	0	0	0	0
1,006	Internal charges and overheads applied	929	952	982	988	1,009	1,034	1,042	1,057	1,077	1,076
0	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
3,103	**Total applications of operating funding (B)**	**3,426**	**3,502**	**3,582**	**3,639**	**3,711**	**3,787**	**3,848**	**3,916**	**3,990**	**4,044**
(190)	**Surplus (deficit) of operating funding (A - B)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
0	Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	0	0	10	20	24	24	24	24	24	24
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
0	**Total sources of capital funding (C)**	**0**	**0**	**10**	**20**	**24**	**24**	**24**	**24**	**24**	**24**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
36	- to improve the level of service	0	0	10	20	24	24	24	24	24	24
0	- to replace existing assets	0	0	0	0	0	0	0	0	0	0
(226)	Increase (decrease) in reserves	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0
(190)	**Total applications of capital funding (D)**	**0**	**0**	**10**	**20**	**24**	**24**	**24**	**24**	**24**	**24**
190	**Surplus (deficit) of capital funding (C - D)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note 1: This financial statement excludes:										
4	Depreciation and amortisation	0	0	0	0	0	0	0	0	0	0

Technical Services funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
2,533	General rates, uniform annual general charges, rates penalties	5,415	5,565	5,748	5,983	6,246	6,542	6,851	7,149	7,559	7,939
0	Targeted rates	0	0	0	0	0	0	0	0	0	0
0	Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0
920	Fees and charges	1,444	2,020	2,090	2,140	2,178	2,220	2,237	2,256	2,273	2,305
6,141	Internal charges and overheads recovered	0	0	0	0	0	0	0	0	0	0
3,900	Local authorities fuel tax, fines, infringement fees, and other receipts	7,475	7,615	7,665	7,863	8,033	8,374	8,711	9,010	9,292	9,674
13,494	**Total operating funding (A)**	**14,334**	**15,200**	**15,503**	**15,985**	**16,457**	**17,136**	**17,799**	**18,414**	**19,124**	**19,919**
	Applications of operating funding										
7,623	Payments to staff and suppliers	9,009	9,714	9,881	10,145	10,339	10,530	10,725	10,927	11,134	11,347
0	Finance costs	0	0	0	0	0	0	0	0	0	0
5,554	Internal charges and overheads applied	4,569	4,709	4,851	4,900	5,007	5,123	5,150	5,232	5,269	5,232
0	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
13,177	**Total applications of operating funding (B)**	**13,578**	**14,423**	**14,731**	**15,044**	**15,346**	**15,653**	**15,875**	**16,159**	**16,403**	**16,579**
317	**Surplus (deficit) of operating funding (A - B)**	**756**	**777**	**772**	**940**	**1,112**	**1,484**	**1,923**	**2,255**	**2,721**	**3,339**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
0	Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	1,060	1,249	1,162	976	892	868	757	914	827	912
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
0	**Total sources of capital funding (C)**	**1,060**	**1,249**	**1,162**	**976**	**892**	**868**	**757**	**914**	**827**	**912**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
865	- to improve the level of service	888	1,083	993	874	788	868	757	914	827	912
0	- to replace existing assets	172	165	169	102	104	0	0	0	0	0
(548)	Increase (decrease) in reserves	756	777	772	940	1,112	1,484	1,923	2,255	2,721	3,339
0	Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0
317	**Total applications of capital funding (D)**	**1,816**	**2,026**	**1,934**	**1,916**	**2,004**	**2,352**	**2,680**	**3,169**	**3,548**	**4,251**
(317)	**Surplus (deficit) of capital funding (C - D)**	**(756)**	**(777)**	**(772)**	**(940)**	**(1,112)**	**(1,484)**	**(1,923)**	**(2,255)**	**(2,721)**	**(3,339)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note 1: This financial statement excludes:										
761	Depreciation and amortisation	743	854	1,078	1,206	1,228	1,223	1,146	1,042	928	913

Corporate Services funding impact statement

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of operating funding										
(958)	General rates, uniform annual general charges, rates penalties	(208)	(208)	(208)	(208)	(208)	(208)	(208)	(208)	(208)	(208)
(211)	Targeted rates	(211)	(211)	(211)	(211)	(211)	(211)	(211)	(211)	(211)	(211)
0	Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0
109	Fees and charges	78	79	81	83	85	87	89	91	93	96
30,374	Internal charges and overheads recovered	29,808	30,625	31,749	31,827	32,594	33,603	33,626	34,234	34,984	34,710
306	Local authorities fuel tax, fines, infringement fees, and other receipts	4,879	7,294	8,194	8,361	8,862	8,824	9,163	9,678	10,139	10,443
29,620	**Total operating funding (A)**	**34,345**	**37,580**	**39,605**	**39,852**	**41,122**	**42,095**	**42,458**	**43,584**	**44,797**	**44,830**
	Applications of operating funding										
21,187	Payments to staff and suppliers	20,031	19,965	20,673	20,650	21,200	22,035	22,009	22,544	23,487	23,481
378	Finance costs	4,300	6,807	7,914	8,423	8,828	9,198	9,708	10,108	10,491	10,792
5,436	Internal charges and overheads applied	5,158	5,296	5,483	5,457	5,576	5,758	5,738	5,853	6,030	5,961
0	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
27,000	**Total applications of operating funding (B)**	**29,489**	**32,068**	**34,071**	**34,530**	**35,604**	**36,991**	**37,456**	**38,505**	**40,007**	**40,235**
2,620	**Surplus (deficit) of operating funding (A - B)**	**4,856**	**5,512**	**5,534**	**5,321**	**5,518**	**5,104**	**5,002**	**5,080**	**4,790**	**4,595**

Annual Plan 2017/18 $000		2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
	Sources of capital funding										
0	Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
0	Increase (decrease) in debt	25,180	9,838	3,930	3,519	3,272	3,318	3,421	3,271	3,518	3,695
398	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
398	**Total sources of capital funding (C)**	**25,180**	**9,838**	**3,930**	**3,519**	**3,272**	**3,318**	**3,421**	**3,271**	**3,518**	**3,695**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	0	0	0	0	0	0	0	0	0	0
4,545	- to improve the level of service	2,353	7,573	2,205	2,147	1,868	1,883	1,951	1,764	1,972	2,107
9,985	- to replace existing assets	22,827	2,265	1,726	1,372	1,404	1,436	1,470	1,507	1,546	1,588
(11,511)	Increase (decrease) in reserves	4,856	5,512	5,534	5,321	5,518	5,104	5,002	5,080	4,790	4,595
0	Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0
3,019	**Total applications of capital funding (D)**	**30,036**	**15,350**	**9,464**	**8,840**	**8,790**	**8,422**	**8,423**	**8,351**	**8,308**	**8,290**
(2,620)	**Surplus (deficit) of capital funding (C - D)**	**(4,856)**	**(5,512)**	**(5,534)**	**(5,321)**	**(5,518)**	**(5,104)**	**(5,002)**	**(5,080)**	**(4,790)**	**(4,595)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note 1: This financial statement excludes:										
3,615	Depreciation and amortisation	4,067	4,516	4,541	4,685	4,840	4,908	4,838	4,864	4,581	4,424
	Note 2: This financial statement includes:										
(2,694)	Internal interest	(3,383)	(4,811)	(5,592)	(6,023)	(6,109)	(6,001)	(6,321)	(6,131)	(5,825)	(5,487)

Revenue and Financing Policy

Purpose

To present Bay of Plenty Regional Council's policies for financing its planned groups of activities, including proposed funding sources.

Under sections 102 and 103 of the Local Government Act 2002 (the Act), Bay of Plenty Regional Council must adopt a Revenue and Financing Policy.

Introduction

Section 101(1) of the Local Government Act requires us to manage our revenue, expenses, assets, liabilities, investments and general financial dealings prudently, and in a manner that promotes the current and future interests of the community.

This Policy describes how Council will use revenue and financing sources to fund its activities. Tables than set out a summary of our funding sources for operating and capital expenditure by activity. Our comprehensive section 101(3) analysis is separately documented in the Funding Needs Analysis.

We have assessed the sources of revenue and finance for each activity using the following criteria as set out by the Act:

- Community outcomes the activity primarily contributes to
- Distribution of benefits between the community as a whole, any identifiable part of the community and individuals
- The period in or over which benefits are expected to occur
- The extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity
- The costs and benefits, including consequences for transparency and accountability, of funding the Activity distinctly from other Activities
- The overall impact of any allocation of liability for revenue needs in the community

Section 103(2) of the Act allows us to fund our activities from:

- General rates
    i. including choice of valuation system
    ii. differential rating
    iii. Uniform Annual General Charges (UAGC)
- Targeted rates
- Lump sum contributions
- Fees and charges
- Interest and dividends from investment
- Borrowings
- Proceeds from asset sales
- Development contributions
- Financial contributions under the Resource Management Act 10991
- Grants and Subsidies
- Any other source

General funds as referred to throughout this document is a combination of investment income (interest and dividends) and general rates (including UAGC) and general reserves.

The following sections outline the main funding sources that are available for operating and capital expenditure. Consideration of our Financial Principles has led to an indicative order of preference for the funding sources.

Funding sources for operating expenditure

Operating expenditure is the day to day spending that maintains the services delivered by Council. This includes contributions to the wear and tear on assets used (depreciation), interest charged on borrowing (both internal and external) for capital projects and corporate services overheads.

Some activities may be best funded from user charges such as bus fares, others with targeted rates such as the drainage scheme maintenance and others from the general rate such as regional planning.

After consideration of the legislative analysis and Financial Principles, the following are the preferred order of funding sources for operating expenditure:

- Grants, subsidies, sponsorship and other sources of revenue
- Fees and charges where benefit can be assigned to individuals
- Financial contributions (not currently used)
- Targeted rates where benefit can be assigned geographically or to itemise specific rates requirements
- Investment income (interest and dividends)
- General rates including UAGC
- Reserves
- Borrowing

This order of preference has been used as part of the proposed funding model for each activity.

Grants and subsidies

Council receives grants and subsidies from other organisations, including Central Government agencies and city and district councils, to help fund some of its activities. Grants and contributions are used to fund specific activities and projects for national or local benefit. The main Government subsidies Council receives are from the New Zealand Transport Agency for passenger transport services and the Ministry for the Environment for the Rotorua Lakes activity.

Other sources

Other operating revenue includes:

- Charges to land owners for contributing to land management activities on their property
- Rent from Council-owned properties leased to third parties
- Contributions from the New Zealand Transport Agency, territorial authorities and gravel-extraction revenue for flood protection activities
- Management fees for administrative support to Council-controlled organisations

Fees and charges

User fees and charges are charged directly to users of a service or facility for the private benefit they receive.

The concept of user-pays is consistent with the ‘benefit/contributor principle’, where the users pay for private benefit from the service. It is also consistent with the principle that those causing the need to undertake the activity (exacerbators) pay for work required as a consequence.

User charges are applied where it is not practical for Council to establish a targeted rate on individual consumers to recover the cost of the service. Where user charges are impractical or ineffective, we may set a range of fees and charges to partly fund the private good component of an activity that delivers tangible private benefits.

Under Section 36 of the Resource Management Act 1991, Council can set administrative fees and charges for a range of matters.

These matters are set out in our Section 36 Resource Management Act and Building Act Charges Policy. Under section 150 of the Local Government Act 2002 the Council can set fees or charges for matters provided for in bylaws. Fees must be prescribed either in the bylaw, or following consultation in a manner that gives effect to the requirements of section 82 of the Local Government Act 2002.

Council’s Regional Navigation Safety Bylaw (clause 5.6) contains provision for charges to be made for mooring licenses, commercial operating licenses and Port charges.

Council also collects the revenue directly from ticketing for bus travel under the Tauranga bus contract (from 1 July 2009) and other regional bus services. This system allows Council the flexibility to charge user fees or to offer more benefits to users of public transport.

In addition, local authorities are empowered to set fees for any service (not covered by other legislation) as one of the consequences of the general power of competence provided in section 12 of the LGA.

Financial contributions

Section 108(2)(a) of the Resource Management Act 1991 authorises Council to include, as a resource consent condition, a financial contribution for purposes as stated in a regional plan.

For more details see Council’s Policy on Development Contributions and Financial Contributions.

Targeted rates

Targeted rates are used to fund discrete activities.

Council has set one or more targeted rates to fund a single activity, or a single targeted rate to fund multiple sub-activities within an Activity. Targeted rates may be set on a uniform basis for all rateable land on which the rate is set, or differentially for different categories of rateable land identified in the funding impact statement.

Investment income (interest and dividends)

Council has a range of investments which return interest and dividends. Our major cash investments include day-to-day surplus funds, funds from the sale of Port of Tauranga Limited shares in 1991 to Quayside Holdings Limited and the issue of the Perpetual Preference Shares in Quayside during 2007/08. Term investments include a 100 percent shareholding in Quayside Holdings Limited (a Council-Controlled Organisation) and a range of day-to-day reserve investments (see the section on Council Controlled Organisations for more detail).

These investments are corporate income sources that do not directly relate to a specific activity, and form a component of 'general funds'. General funds are made up of investment income and regional general rates. To ensure investment income benefits are shared by all ratepayers, we will continue to use our investment income to reduce general rates. Without the investment income off-set, revenue required from general rates would have to increase significantly to fund current levels of service.

Council has decided that the use of special dividend proceeds from the Port of Tauranga Limited (through Quayside Holdings Limited) will be considered year by year. If used to offset operating expenditure it will be distributed through general funds.

General rates

General rates are sets at a uniform rate in the dollar of rateable value for all rateable land within the Bay of Plenty. Council has adopted the land value system for calculating its regional general rate. Because rating re-valuations occur across the region in different years, this rate is set on an equalised land-value basis.

The benefits of most of our activities are evenly distributed across the region. Council has adopted a land value system for the general rate as our activities, which are part-funded by the general rate, deliver benefits more closely aligned with land values than capital values. For example, the integrated and sustainable management of natural and physical resources is more likely to have a long-term impact on land resources and land values than on the capital improvements associated with that land.

Uniform Annual General Charge

Council sets a Uniform Annual General Charge (UAGC) as a fixed amount per rating unit.

The impact of a UAGC is to set a component of rates as a fixed charge per rating unit, and to separate this charge from the valuation base used to calculate the general rate.

The Local Government (Rating) Act 2002 limits rates set on a uniform basis, including the UAGC, to 30 percent.

Because we believe that more than 30 percent of our total rate revenue could be levied through a fixed value targeted rate and UAGC, due to the nature of our activities having an even distribution of public good benefits, we have set our UAGC at the maximum permissible under the Act. Council has considered the affordability of rates when making this decision.

Reserves

Council has a number of cash funded reserve funds and some of these reserves funds are available to meet operating costs. Surplus funds from previous years (in the form of reserves) may be used to fund expenditure. Council generally uses these funds for the purpose that the reserve was created. Establishing and using these reserves is agreed through the Long Term Plan and Annual Plan processes.

Borrowing

Council generally plans to fund all cash operating costs from sources other than borrowing but may in specific circumstances, where it determines prudent to do so, fund some operating costs from borrowing.

Lump sum and development contributions

Council does not use lump sum or development contributions as a source of revenue.

Funding alternatives

Council will consider funding alternatives as they become available during the Long Term Plan period. These alternatives may be considered significant at the time, and if so we will engage with the community as required following an assessment of the issue against Council's Significance and Engagement policy.

Funding sources for capital expenditure

Capital expenditure is costs associated with the purchase, improvement and replacement of assets. After consideration of the legislative analysis and Financial Principles, the following are the preferred order of funding sources for capital expenditure.

- Proceeds from the sale of assets
- Grants, subsidies, sponsorship and other sources of revenue that directly apply to the given asset
- Reserves and/or borrowing depending which is the most efficient source of funding

Capital expenditure on new assets is generally not directly funded by rates as this places the entire cost on current ratepayers. Instead, the use of reserves and/or borrowing, allows for the cost to be spread over time through interest and depreciation so that all beneficiaries of the asset contribute towards the cost.

Any net operating surpluses are accumulated into various reserve funds. A specific asset replacement reserve is accumulated through funding depreciation and available for renewal of existing assets.

Proceeds from the sale of assets

Proceeds from asset sales are generally used to repay debt or off-set the borrowing requirements for the asset and its activity if it doesn't meet the Council's determination.

Grants and subsidies

Council receives grants and subsidies from other organisations, including Central Government agencies and city and district councils, to help fund some of its capital expenditure. Grants and subsidies are used whenever they are available.

Reserves and/or borrowing

Council maintains some reserve funds for capital expenditure. Capital expenditure is funded from the most efficient source, which may include debt.

Assessing the impact of funding needs

Council has applied the above preferences for the use of funding sources to each activity in its Funding Needs Analysis. Following section 101(3)(a) assessment Council has considered its funding mix against the overall impact of any allocation of liability for revenue needs on the community as required by section 101(3)(b).

The Long Term Plan Financial Principle which guides Council in assessing the funding mix is Principle 2:

- Council achieves the right mix to fund its activities, and keeps rates, fees and charges, affordable, fair and equitable.

Examples of how the Council has balanced its approach to funding its activites include:

- Aligning the Policy on Remission and Postponement of Rates with the city/district councils. This ensures the Council's ratepayers have access to the same affordability tools, such as considering financial hardship, options for reverse equity of properties, consistent application of criteria for rates on Māori freehold land and remissions of rates for social/cultural purposes such as recreational facilities, as they do for their city/district council rates
- Developing the forestry and bush remission to encourage better land use practices to lessen the amount of nutrients entering the Rororua Lakes
- Seeking alternative funding sources outside the region where wider interests exist (for example, Central Government funding for contaminated site remediation)
- Using general funds and reserves to spread the costs of services throughout the region to reduce the burden on small communities of interest, and when Council services proved wider and indirect benefits across different elements of well-being
- Considering inter-generational equity when funding depreciation and capital projects so current and future ratepayers pay their fair share

Summary of funding sources

Tables 1 and 2 show the indicative percentages each funding source is used to fund costs following our section 101(3)(a) and 101(3)(b) assessment.

Table 1: Summary of operating expenditure funding sources by sub-activity

Summary of operating expenditure funding sources by sub-activity

Group of activities	Sub-activity	#	General funds	Targeted rates	User fees and charges and other revenue	Grants and subsidies	Reserves
Integrated Catchment Management	Tauranga Harbour	1	● (80-100%)		● (0-20%)		
	Rotorua Lakes	2a	● (40-60%)	● (40-60%)			
	Rotorua Lakes – Deed	2b	● (20-40%)	● (20-40%)			● (40-60%)
	Kaituna	3	● (80-100%)			● (0-20%)	
	Eastern Catchments	4	● (80-100%)		● (0-20%)	● (0-20%)	
	Regional Integrated Catchment Management	5	● (100%)				
Flood Protection and Control	Kaituna Catchment Control Scheme	6a	● (0-20%)	● (80-100%)			
	Rangitāiki-Tarawera Rivers Scheme	6b	● (0-20%)	● (80-100%)			
	Whakatāne-Waimana Rivers Scheme	6c	● (0-20%)	● (80-100%)			
	Waioeka-Otara Rivers Scheme	6d	● (0-20%)	● (80-100%)			
	Rangitāiki Drainage Schemes	6e		● (100%)			
	Minor Rivers Schemes	6f		● (100%)			
	Minor Rivers (Ōpōtiki)	6g	● (0-20%)	● (80-100%)			
	Non Scheme Works	6h	● (80-100%)			● (0-20%)	
	Regional Flood Risk Coordination	7	● (100%)				
Resource Regulation and Monitoring	Biosecurity	8	● (80-100%)		● (0-20%)		
	Air Quality	9a	● (40-60%)	● (40-60%)			
	Air Quality – Rotorua Clean Air	9b		● (100%)			
	Resource Consents	10	● (40-60%)		● (40-60%)		
	Regulatory Compliance	11	● (60-80%)		● (20-40%)		
	Maritime Operations	12	● (60-80%)		● (20-40%)	● (0-20%)	
Transportation	Tauranga Passenger Services	13a		● (20-40%)	● (20-40%)	● (20-40%)	
	Rotorua Passenger Services	13b		● (20-40%)	● (20-40%)	● (20-40%)	
	Western Bay Passenger Services	13c		● (40-60%)	● (0-20%)	● (40-60%)	
	Whakatane Passenger Services	13d		● (40-60%)	● (0-20%)	● (40-60%)	
	Regional Passenger Services	13e	● (60-80%)			● (20-40%)	
	Transport Planning	14	● (60-80%)			● (20-40%)	

Key

0	0-20%	20-40%	40-60%	60-80%	80-100%	100%
	●	●	●	●	●	●

Summary of operating expenditure funding sources by sub-activity							
Group of activities	**Sub-activity**	**#**	**General funds**	**Targeted rates**	**User fees and charges and other revenue**	**Grants and subsidies**	**Reserves**
Regional Development	Regional Infrastructure	15					●
	Regional Economic Development	16	●				
	Regional Parks	17	●		●		
Regional Planning and Engagement	Regional Planning	18	●				
	Māori Policy	19	●				
	Geothermal	20	●				
	Community Engagement	21	●				
	Governance	22	●				
Emergency Management	Emergency Management	23		●	●		
Technical Services	Geospatial	24	●				
	Engineering	25	●				
	Data Services	26	●		●		
	Science	27	●		●		

Key						
0	0-20%	20-40%	40-60%	60-80%	80-100%	100%
	●	●	●	●	●	●

Table 2: Summary of capital expenditure funding sources by sub-activity

Summary of capital expenditure funding sources by sub-activity						
Group of activities	**Sub-activity**	**#**	**Investment fund reserve**	**External/ internal loans**	**Asset replacement reserves**	**Capital grants, subsidies, insurance recoveries**
Integrated Catchment Management	Rotorua Lakes	2a	●	●		
	Rotorua Lakes – Deed	2b	●	●	●	●
	Kaituna	3	●	●	●	●
Flood Protection and Control	Kaituna Catchment Control Scheme	6a	●	●	●	●
	Rangitāiki-Tarawera Rivers Scheme	6b	●	●	●	●
	Whakatāne-Tauranga Rivers Scheme	6c	●	●	●	●
	Waioeka-Otara Rivers Scheme	6d	●	●	●	●
	Rangitāiki Drainage Schemes	6e	●	●	●	●
	Non Scheme Works	6h	●	●	●	●
Resource Regulation and Monitoring	Air Quality – Rotorua Clean Air	9b		●		
	Maritime Operations	12		●	●	
Transportation	Tauranga Passenger Services	13a		●	●	
	Rotorua Passenger Services	13b		●	●	
	Western Bay Passenger Services	13c		●	●	
	Whakatane Passenger Services	13d		●	●	
	Regional Passenger Services	13e		●	●	
Regional Development	Regional Parks	17		●	●	
Emergency Management	Emergency Management	23		●	●	
Technical Services	Geospatial	24		●	●	
	Data Services	26		●	●	
	Science	27		●	●	
Corporate Services	Land and Buildings	28	●	●	●	
	Other Corporate Services	29		●	●	

Rates Funding Impact Statement

Introduction

Bay of Plenty Regional Council (BOPRC) has prepared this Funding Impact Statement in accordance with Clause 15, Part 1 of Schedule 10 of the Local Government Act 2002. Examples of the impact of rating proposals on the rates assessed on different categories of land are included in the LTP 2018-2028 introduction section.

All 2017/18 rates tables are GST exclusive.

General rates

General rates based on land value

The general rate is set in accordance with Sections 13 and 131 of the Local Government (Rating) Act 2002 based on the projected valuation of all rateable land in the districts of the constituent territorial authorities at a uniform rate in the dollar. The rate in the dollar is different according to the location of land within each territorial authority district or city. The differences are in accordance with a certificate of valuation changes supplied by Quotable Value NZ Limited.

General Rates Land Value	$11,912,394
Constituent Authority	**Rates expressed as cents per dollars of rateable land value**
Kawerau	0.042364
Ōpōtiki	0.027001
Rotorua (Pt)	0.030889
Taupō (Pt)	0.027001
Tauranga	0.035317
Western Bay of Plenty	0.027001
Whakatāne	0.027001
Offshore Islands	0.114052

Uniform annual general charge

In addition, a Uniform Annual General Charge (UAGC) is set in accordance with Section 15(1)(a) of the Local Government (Rating) Act 2002 for all rateable land within the region. It is calculated as a fixed amount per rating unit (according to each territorial authority's interpretation of a separately rated unit, for the purposes of a UAGC).

Uniform Annual General Charge	$14,718,774
Fixed amount per rating unit	$115.74

Major River and Drainage Scheme targeted rates

Scheme rating maps for all major river and drainage schemes are available from BOPRC. For detail on how to access these maps visit our website www.boprc.govt.nz

The targeted rates are set for the Flood Protection and Control Group of Activities.

Kaituna Catchment Control Scheme targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the Kaituna Catchment Control Scheme within the Tauranga, Western Bay of Plenty and Rotorua constituent districts. Council sets two targeted rates; the first on where the land is situated and calculated using the area of land within the rating unit, and the second on where the land is situated and calculated using the extent of service provided.

Kaituna Catchment Control Scheme targeted rates			
Category	Rate per hectare $	Site component $	Revenue sought $
A1P	191.27	191.27	380,670
A2P	153.01	172.14	23,039
A3P	114.76	153.01	19,472
A4P	76.51	133.89	21,190
A1	153.01	143.45	95,419
A2	124.32	124.32	44,511
A3	95.63	124.32	44,816
A4	66.94	124.32	25,872
A5	57.38	124.32	45,415
A6	47.82	105.20	18,265
A7	34.43	95.63	18,936
A8	22.95	0.00	2,537
A9	7.65	0.00	659
A10	3.83	0.00	637
A11	1.91	0.00	404
B1	22.95	57.38	19,593
B2	17.21	47.82	6,217
B3	9.56	38.25	17,690
B4	5.74	28.69	29,860
B5	3.83	28.69	38,707
C1	5.74	28.69	5,764
C2	3.35	28.69	95,250
C3	2.30	28.69	26,590
C4	1.91	0.00	4,083
C6R	1.15	0.00	1,213
C8	0.77	19.13	5,485
C5	2.30	19.13	97,411
C6	1.34	15.30	14,957
C7	0.77	57.38	2,032
C9	0.57	15.30	3,844
R01	38.25	76.51	19,161
R02	0.00	57.38	59,996
R03	28.69	23.91	576,342
TP1	19.13	28.69	83,762
Total			**1,849,795**

Rangitāiki-Tarawera Rivers Scheme targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the Rangitāiki–Tarawera Rivers Scheme catchment within the Whakatāne, Kawerau, Rotorua and Taupō constituent districts. The Council sets one targeted rate on where the land is situated and the extent of service provided, calculated using the area of land within the rating unit.

Rangitāiki-Tarawera Rivers Scheme targeted rates		
Category	Rate per hectare $	Revenue sought $
A1	123.46	993,713
A2	87.45	137,216
A3	66.88	122,287
A4	51.44	57,658
A5	43.73	301,573
A6	15.43	2,496
B1	77.16	163,632

Category	Rate per hectare $	Revenue sought $
B2	61.73	29,962
B3	46.30	32,855
B4	36.01	309,040
B5	25.72	41,229
B6	9.26	342
B7	7.20	1,294
C1	6.69	53,536
C2	4.63	239,440
C3	1.54	146,337
C4	1.03	64,507
C5	0.77	16,750
U1	3,935.39	157,436
U2	3,703.90	210,049
U3	668.76	16,778
U4	437.27	340,903
U5	308.66	31,436
Total		**3,470,470**

Whakatāne-Tauranga Rivers Scheme targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the Whakatāne-Tauranga Rivers Scheme catchment within the Whakatāne constituent district. Council sets two targeted rates; the first on where the land is situated and calculated using the area of land within the rating unit, and the second on where the land is situated and calculated using the extent of service provided.

Whakatāne-Tauranga Rivers Scheme targeted rates			
Category	**Rate per hectare $**	**Site component $**	**Revenue sought $**
A1	127.33	127.33	94,097
A2	107.74	107.74	42,794
A3	88.15	93.05	140,657
A4	73.46	83.26	223,419
A5	53.87	0.00	13,009
A6	39.18	68.56	17,026
A7	29.38	58.77	21,923
A8	19.59	53.87	47,457
A9	9.79	0.00	1,265
B1	44.08	0.00	97,190
B2	24.49	44.08	68,872
B3	19.59	29.38	35,468
B4	14.69	24.49	6,475
B5	1.96	0.00	886
C1	5.88	48.97	25,601
C2	3.92	19.59	38,850
C3	2.94	19.59	27,755
C4	1.96	4.90	4,600
C5	0.98	4.90	23,376
U1	440.76	132.23	353,068
U2	323.23	102.84	101,468
U3	171.41	68.56	159,447
U4	107.74	58.77	77,206
U5	9.79	0.00	7
Total			**1,621,915**

Waioeka-Otara Rivers Scheme targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the Waioeka-Otara Rivers Scheme catchment within the Ōpōtiki constituent district. Council sets two targeted rates; the first on where the land is situated and calculated using the area of land within the rating unit, and the second on where the land is situated and calculated using the extent of service provided.

Waioeka-Otara Rivers Scheme targeted rates			
Category	**Rate per hectare $**	**Site component $**	**Revenue sought $**
A1A	285.77	329.74	17,000
A2	153.88	241.81	20,961
A2A	219.83	274.78	9,932
A3	131.90	197.84	99,525
A3A	175.86	241.81	5,049
A4	109.91	153.88	59,294
A4A	142.89	197.84	3,327
A5	98.92	153.88	45,506
A6	76.94	153.88	700
A7	65.95	153.88	7,947
A8	54.96	153.88	71,596
B1	43.97	0.00	11,857
B2	6.59	0.00	112
C1	10.99	131.90	32,398
C2	6.59	131.90	11,069
C3	4.40	109.91	10,818
C4	3.30	43.97	15,657
C5	2.20	43.97	2,440
C6	0.88	43.97	7,883
R	2.20	0.00	208
U1A C	1,318.96	967.24	36,795

Category	Rate per hectare $	Site component $	Revenue sought $
U1AR	659.48	483.62	55,098
U1C	1,055.17	791.38	118,742
U1R	527.58	395.69	332,607
U2AC	967.24	703.45	12,883
U2AR	483.62	351.72	40,268
U2C	703.45	615.51	7,965
U2R	351.72	307.76	94,862
U3R	87.93	175.86	72,772
Total			**1,205,272**

Rangitāiki Drainage targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land in the defined Rangitāiki Drainage Rating Area situated on the Rangitāiki Plains within the Whakatāne constituent district. Council sets one targeted rate on where the land is situated and the extent of service provided, calculated using the area of land within the rating unit.

Rangitāiki Drainage targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	52.00	402,234
B	46.80	51,986
C	43.68	63,020
D	37.96	231,757
E	31.20	82,882
F	23.40	57,500
G	17.68	65,963
H	13.00	1,450
I	6.24	4,555

Category	Rate per hectare $	Revenue sought $
U1	104.00	37,015
U2	52.00	3,269
Total		**1,001,632**

Passenger Transport targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 on a fixed amount per rating unit on all rateable properties within the defined boundaries of Tauranga City, and on a fixed amount per rating unit on all rateable properties within the defined boundaries of urban Rotorua.

The targeted rates are set for the Transportation Group of Activities.

Passenger Transport targeted rate		
Category	**Rate per rating unit $**	**Revenue sought $**
Tauranga City	125.45	7,030,344
Rotorua Urban	53.45	1,175,240
Western Bay	11.50	248,516
Eastern Bay - Whakatāne	13.52	200,165
Total		**8,654,265**

Rotorua Lakes targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating Act) 2002 for all rateable properties over the whole area of land of Rotorua District within the Bay of Plenty Regional Council region, with categories of land further defined by the area of land within the rating unit. Liability for the targeted rates is calculated as a fixed amount per rating unit.

The targeted rates are set for the Integrated Catchment Management Group of Activities - Rotorua Lakes Activity.

Rotorua Lakes Programme targeted rate		
Category - All Properties	**Rate per rating unit $**	**Revenue sought $**
0 - 1.9999ha	96.97	2,462,649
2 - 9.9999ha	203.15	144,642
10ha and over	648.84	509,987
Total		**3,117,278**

Rotorua Air Action Plan Implementation targeted rates

A targeted rate is set uniformly in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land within the defined boundaries of urban Rotorua with liability calculated as a fixed amount per rating unit.

The targeted rates are set for the Resource Regulation Group of Activities - Rotorua Air Quality Activity.

Rotorua Air Action Plan Implementation targeted rate		
Category	**Rate per rating unit $**	**Revenue sought $**
Rotorua Urban	24.11	529,904

Rotorua Air - Clean Heat Conversion targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for rateable properties within the Rotorua Airshed Area with liability calculated as the extent of loans provided by Council under the Clean Heat Conversion scheme.

Rotorua Air Clean Heat Conversion targeted rates 2018/19

Category	Rate per rating unit $	Revenue sought excl $
CH001	591.30	31,339
CH002	573.91	10,904
CH003	556.52	14,470
CH004	539.13	14,017
CH005	521.74	7,304
CH006	504.35	3,530
CH007	486.96	6,817
CH008	469.57	3,757
CH009	452.17	1,809
CH010	434.78	1,739
CH011	417.39	1,252
CH1	400.00	128,000
CH2	395.65	21,365
CH3	391.30	16,826
CH4	386.96	11,222
CH5	382.61	21,426
CH6	378.26	12,483
CH7	373.91	20,565
CH8	369.57	12,196
CH9	365.22	6,939
CH10	360.87	13,352
CH11	356.52	8,200
CH12	352.17	7,748
CH13	347.83	6,957
CH14	343.48	14,770
CH15	339.13	13,565
CH16	334.78	15,400
CH17	330.43	4,296
CH18	326.09	7,826
CH19	321.74	9,330
CH20	317.39	5,713
CH21	313.04	5,635
CH22	308.70	1,852
CH23	304.35	4,261
CH24	300.00	8,700
CH25	295.65	3,548
CH26	291.30	3,787
CH27	286.96	8,035
CH28	282.61	11,304
CH29	278.26	3,339
CH30	273.91	3,013
CH31	269.57	2,696
CH32	265.22	1,326
CH33	260.87	4,435
CH34	256.52	4,104

Category	Rate per rating unit $	Revenue sought excl $
CH35	252.17	3,026
CH36	247.83	991
CH37	243.48	3,409
CH38	239.13	1,435
CH39	234.78	3,287
CH40	230.43	691
CH41	226.09	452
CH42	221.74	887
CH43	217.39	1,304
CH44	213.04	639
CH45	208.70	1,044
CH46	204.35	817
CH47	200.00	800
CH48	196.00	1,372
Total		**541,307**

Civil Defence Emergency Management targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 on a fixed amount per rating unit on all rateable properties within the defined boundaries of Kawerau, Opotiki, Rotorua, Tauranga, Western Bay of Plenty and Whakatane constituent districts.

Civil Defence Emergency Management targeted rate		
Category - All Properties	**Rate per rating unit $**	**Revenue sought $**
Kawerau	19.21	55,107
Ōpōtiki	18.58	91,101
Rotorua	18.47	495,855
Tauranga	17.71	992,462
Western Bay of Plenty	17.41	376,203
Whakatāne	19.45	287,918
Total		**2,298,646**

Minor Rivers and Drainage Schemes targeted rates

Council sets and collects rates from three minor rivers and drainage schemes situated in the Ōpōtiki area, and from 34 minor communally pumped drainage schemes situated on the Rangitāiki Plains.

Scheme rating maps for all minor schemes are available from BOPRC. To see these maps visit our website www.boprc.govt.nz

Minor Rivers and Drainage Schemes targeted differential rates

Targeted rates are set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the defined communal pumped drainage and defined minor rivers and drainage schemes. Council sets one targeted rate on where the land is situated and the extent of service provided, calculated using the area of land within the rating unit.

Ōpōtiki

The following tables detail rate requirements for the three Ōpōtiki-based minor rivers and drainage schemes.

Waiotahi River District targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	116.95	12,702
B	93.56	15,215

Category	Rate per hectare $	Revenue sought $
C	70.17	13,416
D	38.98	1,982
E	23.39	1,775
F	11.70	2,207
Total		**47,298**

Huntress Creek Drainage District targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	89.70	18,895
B	68.77	5,456
C	44.85	3,255
D	29.90	1,594
E	20.93	685
F	8.97	2,993
Total		**32,878**

Waiotahi Drainage District targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	45.58	3,892
B	37.98	7,894
C	30.39	1,918
D	22.79	1,024
E	15.19	65
F	7.60	1,738
Total		**16,530**

Rangitāiki Plains

The following tables detail rate requirements for the 34 minor communally pumped drainage schemes on the Rangitāiki Plains.

Omeheu West Communal Pumped Drainage Scheme targeted rate		
Category	**Rate per hectare $**	**Revenue sought $**
A	198.63	6,943
B	176.56	3,001
C	44.14	1,879
Total		**11,823**

Awaiti West Pumped Drainage Scheme targeted rate		
Category	**Rate per hectare $**	**Revenue sought $**
A	623.04	7,850
B	286.60	42,184
C	124.61	24,591
D	62.30	3,009
Total		**77,634**

Withy Communal Pumped Drainage Scheme targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	200.96	13,255
B	120.57	5,611
C	40.19	1,757
Total		**20,623**

Omeheu Adjunct Communal Pumped Drainage Scheme targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	123.52	1,270
B	92.64	7,425
C	67.94	3,783
D	37.06	3,236
E	18.53	1,004
F	6.18	145
URBAN	327.34	14,076
Total		**30,939**

Lawrence Communal Pumped Drainage Scheme rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	396.81	11,190
B	317.45	1,460
C	198.40	1,405
D	99.20	1,434
Total targeted rates		**15,490**

Murray's Communal Pumped Drainage Scheme rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	145.59	18,108
B	104.83	1,242
C	93.18	3,805
D	40.17	1,617
Total		**24,772**

Minor Drainage Schemes uniform targeted rates

Targeted rates are set uniformly in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the defined drainage and defined minor rivers and drainage schemes. Council sets one targeted rate on where the land is situated, and the area of land.

Minor Drainage Schemes targeted uniform rates		
Category	**Rate per hectare $**	**Revenue sought $**
Angle Road	82.90	19,025
Awakeri	103.04	29,412
Baird-Miller	79.71	10,969
Foubister	148.86	15,622
Gordon	317.80	31,261
Greigs Road	115.33	82,305
Halls	91.81	22,231
Hyland-Ballie	161.42	38,033
Riverslea Road	446.11	13,715
Kuhanui	221.03	18,337
Longview-Richlands	66.57	7,717
Luxton	59.10	12,931
Martin	119.39	15,957

Category	Rate per hectare $	Revenue sought $
Massey	120.26	51,299
Mexted-Withy	103.37	28,755
Nicholas	72.74	21,059
Noord-Vierboon	98.68	11,534
Omeheu East	148.82	62,400
Pedersen - Topp	39.57	4,524
Platts	60.83	22,409
Reynolds	164.85	21,218
Robins Road	233.24	43,597
Robinsons	74.27	5,454
Thompson-Ernest	108.24	58,736
Travurzas	88.49	17,522
Wylds	115.68	21,728
Poplar Lane	232.03	13,049
Awaiti East	272.04	38,824
Total		**739,624**

Lump Sum Contributions

Council will not be inviting lump sum contributions for any targeted rates.

Significant Forecasting Assumptions

Introduction

A number of forecasting assumptions have been used in developing this LTP 2018-2028. Significant forecasting assumptions are explained below.

Risks have been identified, and significant risks are included in the Financial Strategy. They demonstrate sensitivity on investment income, investment interest rates and dividends received.

General assumptions with a low risk on the impact to cost drivers in the LTP 2018-2028 are outlined in the Financial Strategy. These assumptions include population change, Central Government policy and decisions and Council's position on external borrowing.

Assumptions on how revenue is applied to activities is determined by the Revenue and Financing Policy.

Following each local body election the risk arises that newly-elected councils may change their priorities to meet the needs of the community. The next election will be held in 2019.

Forecasting assumptions

Assumptions have come from:

- Legislative requirements
- Council's funding and financial policies
- Relevant financial reporting standards
- Approved asset management plants
- Demographic and economic information
- Industry best practices and norms

	Assumption	Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)
Organisational assumptions			
1	**Local government structure in the Bay of Plenty** We assume that there will be no change to the current local government structure in the Bay of Plenty, including one regional council and seven district/city councils.	Medium	-
2	**Governance structure** We assume that there will be no change in Council structure, including the Chairman, Deputy Chair, nine Councillors and three Māori Councillors. A representation review is expected to be carried out in 2018; this may impact the future Governance structure.	Medium	-
3	**Impacts on our work programme** A change in local government structure will not significantly affect our work programme.	Low	-

	Assumption	Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)
4	**Availability of staff/contractors** We assume that we will be able to retain and find skilled staff and contractors to undertake the work required, to the agreed standards, deadlines and cost.	Medium	-
5	**Business continuity planning** We assume that we will be able to continue operating to deliver essential services to the community in the event of a disaster.	Medium	-
6	**Project management** We assume that the projects in the LTP 2018-2028 will be within costs, quality and the timeframes specified.	Medium	-
Environmental assumptions			
7	**Climate Change** Our assumed potential impacts of Climate Change are disclosed through our Infrastructure Strategy 2018-2048. Climate change is one of the Strategic Challenges identified by Council and the Council's position is stated in the Long Term Plan 2018-2028.	Medium	-
8	**Natural hazards/disasters** Our region is at risk of a range of natural hazards, such as earthquakes, flooding, drought, debris flow, slips, tornado, fire and volcanic activity.	Medium	-
9	**Land use changes** We assume that the current use of land will not change significantly over the course of this LTP 2018-2028 (with the exception of the Rotorua catchment area).	Low	-
External assumptions			
10	**Central Government policies/priorities** It is assumed that Central Government will not change its relevant policies and priorities without advanced notice to local authorities.	Low	-

<table>
<tr><th></th><th colspan="4">Assumption</th><th>Degree of uncertainty (H/M/L)</th><th colspan="4">Potential effects on the financial estimates (High only)</th></tr>
<tr><td>11</td><td colspan="4">Surrounding local authorities policies/priorities
We assume that surrounding local authorities' policies and priorities will not significantly change.</td><td>Low</td><td colspan="4">-</td></tr>
<tr><td>12</td><td colspan="4">Treaty of Waitangi settlements
We assume that Treaty of Waitangi Settlements will continue to be progressed and the Council will respond to any changes.</td><td>Medium</td><td colspan="4">-</td></tr>
<tr><td>13</td><td colspan="4">Legislative change
There will be change to legislation affecting our work programme, including how we operate, what we do and who pays for what.</td><td>Medium</td><td colspan="4">-</td></tr>
<tr><td colspan="10">Financial Assumptions</td></tr>
<tr><td>14</td><td colspan="4">Cost factors
We use best estimates to predict what things will cost in the future. This includes inflation estimates. We have used the Business and Economic Research Limited (BERL) Local Government Cost Index (LGCI) as a basis for estimating inflation.</td><td>Low</td><td colspan="4">-</td></tr>
<tr><td>2018/19</td><td>2019/20</td><td>2020/21</td><td>2021/22</td><td>2022/23</td><td>2023/24</td><td>2024/25</td><td>2025/26</td><td>2026/27</td><td>2027/28</td></tr>
<tr><td>2.00%</td><td>2.24%</td><td>2.29%</td><td>2.34%</td><td>2.50%</td><td>2.56%</td><td>2.73%</td><td>2.92%</td><td>3.11%</td><td>3.31%</td></tr>
<tr><td>15</td><td colspan="4">Grants and subsidies
We get funding from a number of sources, including grants and subsidies from external organisations. We assume that the rate of this funding will remain consistent. These include:
- NZTA subsidy for passenger transport services at 50-100 percent
- Central Government contribution towards the Rotorua Lakes Protection and Restoration Action Programme – 50 percent
- Kopeopeo Canal remediation project subsidy - 50 percent</td><td>Medium</td><td colspan="4">-</td></tr>
</table>

	Assumption				Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)			
16	**Dividend income** Dividends from Quayside Holdings Limited (QHL) are used to reduce our general rates requirement. Forecast annual dividends percentage increases for the next 10 years have been provided by QHL. It is assumed that increases will be at the following levels:				Medium	-			
2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
14%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
17	**Investment income** It is assumed that we will gain investment income based on the forecast investment interest rates provided by the Council's fund manager.				High	Changes in the performance of the Council's investment portfolio will influence the Council's general rates and/or debt requirements. We would also need to consider reducing costs, increasing revenue and/or reducing levels of service.			
2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
5.00%	5.00%	5.50%	6.00%	6.00%	6.50%	6.50%	6.50%	7.00%	7.00%
18	**Rates rebate for clean heat targeted rates** We charge an annual rate of $460 for the Clean Heat targeted rate. We assume that we can waive this targeted rate for those ratepayers who qualify under the Central Government's rates rebate scheme. The number of ratepayers applying for a rebate are projected as follows:				Low	-			
2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
215	240	390	540	690	780	780	780	780	780
19	**Lifecycle of assets** The lifecycle of assets is outlined in the Statement of Accounting Policies.				Low	-			
20	**Sources of funds for the future replacement of assets** The sources of funds for future replacement of assets are outlined in the Revenue and Financing Policy.				Low	-			
21	**Renewal of assets – depreciation funding** We will continue to fund our asset renewal programme through rates-funded depreciation. Depreciation of our assets is based on their lifecycle.				Low	-			

	Assumption				Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)			
22	**Investment and Regional Project Fund reserves for infrastructure work** Investment and Regional Project Fund Reserves will fund new infrastructure work. Internal interest will be charged at 50 basis points above the forecast 90 day bill rate provided by the Council's fund manager. Internal interest rates are applied as below:				Medium	-			
2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
3.40%	4.00%	4.20%	4.50%	4.50%	4.50%	4.50%	5.00%	5.00%	5.00%
23	**Revaluation of non-current assets** We revalue most of our fixed assets regularly (at least every three years) to ensure that the carrying values do not differ materially from the fair value. The following BERL adjustors will be used to revalue our assets:				Medium	-			
2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Earthmoving									
2.00%	2.30%	2.50%	2.60%	2.70%	2.90%	3.10%	3.30%	3.50%	3.90%
Water									
2.30%	3.00%	3.00%	2.60%	2.80%	2.90%	3.20%	3.40%	3.60%	3.90%
Property									
2.00%	2.20%	2.30%	2.30%	2.50%	2.60%	2.70%	2.90%	3.10%	3.30%
24	**Number of rating units** We assume that the number of rating units will increase each year as more dwellings are built or properties are divided. Rating unit figures have been calculated using Territorial Authority's test rate strikes and growth predictions from BERL.				Medium	-			
2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
125,347	126,543	127,781	129,099	130,444	131,765	133,052	134,346	135,734	137,085

<table>
<tr><th></th><th colspan="5">Assumption</th><th>Degree of uncertainty (H/M/L)</th><th colspan="4">Potential effects on the financial estimates (High only)</th></tr>
<tr><td>25</td><td colspan="5">Estimation of Put Option provision
The Council has a $15 million Put Option provision which relates to the issue of Perpetual Preference Shares (PPS) in January 2008 by its subsidiary Quayside Holdings Limited (QHL). The $15 million valuation is as at 30 June 2017.</td><td>Medium</td><td colspan="4">-</td></tr>
<tr><td>26</td><td colspan="5">Borrowing and expected interest rates
If the Council decides to draw down external loans for projects they will be subject to interest rates. The rates below have been calculated by BOPRC and then compared to advice from BanCorp Treasury Services Limited</td><td>Medium</td><td colspan="4">-</td></tr>
<tr><td>2018/19</td><td>2019/20</td><td>2020/21</td><td>2021/22</td><td>2022/23</td><td>2023/24</td><td>2024/25</td><td>2025/26</td><td>2026/27</td><td>2027/28</td></tr>
<tr><td>4.00%</td><td>4.00%</td><td>4.12%</td><td>4.50%</td><td>4.50%</td><td>4.75%</td><td>4.75%</td><td>4.75%</td><td>5.25%</td><td>5.25%</td></tr>
<tr><td>27</td><td colspan="5">Overhead allocations
The way we work out overheads and costs associated with each Council activity will stay the same during the LTP 2018-2028.</td><td>Medium</td><td colspan="4">-</td></tr>
<tr><td>28</td><td colspan="5">Estimates of commitments and contingencies
To allow for variations between our expected cost of a project and actual cost of a project, we allow for a contingency in our budgets. This may range between 10 percent for fully scoped projects and up to 30 percent for projects in concept or preliminary design.</td><td>Medium</td><td colspan="4">-</td></tr>
<tr><td>29</td><td colspan="5">Insurance
We assume that we will be able to obtain insurance cover and that the cost for insurance will be similar to that for the previous year plus inflation. Budgeted insurance proceeds are received as planned.</td><td>Low</td><td colspan="4">-</td></tr>
<tr><td colspan="11">Population assumptions</td></tr>
<tr><td>30</td><td colspan="5">Growth forecasting
Population across the region is expected to reflect the population projections set out below.[1]</td><td>Low</td><td colspan="4">-</td></tr>
</table>

Data released December 2016

Dataset: Subnational population projections, by age and sex, 2013(base)-2043 update							
Projection	Medium						
Year at 30 June	2013	2018	2023	2028	2033	2038	2043
Area							
Total New Zealand by region	4,442,100	4,864,600	5,157,900	5,389,700	5,595,000	5,769,800	5,923,100
Bay of Plenty region	279,700	303,500	318,400	329,800	339,400	346,900	353,100
Tauranga city	119,800	134,600	145,800	154,900	163,600	171,700	179,500
Rotorua district	68,400	71,800	73,400	74,000	74,100	73,600	72,600
Western Bay of Plenty district	45,500	49,500	51,800	53,800	55,500	56,900	57,900
Whakatāne district	34,200	35,800	36,200	36,400	36,300	35,800	35,100
Opōtiki district	8,780	8,800	8,550	8,220	7,790	7,260	6,670
Kawerau district	6,650	6,840	6,630	6,370	6,030	5,620	5,180

(1) data extracted on 12 Aug 2017 05:00 UTC (GMT) from NZ Stat

Source: *http://www.stats.govt/tools and services/nzdotstat/tables-by-subject/population-projections-tables.aspx#subnational*

Significant Negative Effects

Council's activities are provided to the region with the intention of delivering positive outcomes and working towards our vision 'Thriving together - mō te taiao, mō ngā tāngata'.

Alongside the positive contributions from our activities, there may also be some negative impacts that need to be identified, understood and managed or mitigated.

The following table lists the significant negative effects that have been identified, and the approach to managing and or mitigating that impact. There are only a small number of areas identified; where an activity is not listed, this is due to the Council not identifying any significant negative effects on the region and our community for that activity.

Group of Activities /Activity	Significant negative effects	Mitigation
Integrated Catchment Management	Making the change to more sustainable land uses and land use practice may have economic, cultural and social costs for individual landowners, and possibly the regional economy. This will be primarily through implementing water quality and quantity requirements under the National Policy Statement for Freshwater Management.	As part of our planning processes, we ordinarily carry out cost benefit analysis that is proportionate to the type of proposal or plan being considered. This includes analysis under S32 of the Resource Management Act 1991. Clear opportunities are provided to the community to express their views though the planning process.
Rivers and Drainage Schemes	Negative effects on wetlands and some areas of cultural significance through lowering of ground water table levels.	
Biosecurity	Biosecurity rules may impose land use restrictions or financial impacts on individuals within our communities.	We endeavour to take a balanced approach and take into account the views of our community through the development and implementation of our Biosecurity rules, including for example, the development of our Regional Pest Management Plan.
Regional Planning	Increasing the amount of regulation in regional plans and increasing environmental standards may result in increased compliance costs to resource users.	As part of our planning processes, we ordinarily carry out cost benefit analysis that is proportionate to the type of proposal or plan being considered. This includes analysis under S32 of the Resource Management Act 1991.

Audit